

City of Manhattan Beach, California



Comprehensive Annual Financial Report

Year Ended June 30, 2012

CITY OF MANHATTAN BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012



Prepared by the Finance Department

Bruce Moe, Finance Director



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CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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Introduction



City Hall 1400 Highland Avenue Manhattan Beach, CA 90266-4795
Telephone (310) 802-5000 FAX (310) 802-5001 TDD (310) 546-3501

January 15, 2013

Honorable Mayor, Councilmembers and Citizens of Manhattan Beach
Manhattan Beach City Hall
Manhattan Beach, California 90266

We are pleased to present the Comprehensive Annual Financial Report of the City of Manhattan Beach for the Fiscal Year ended June 30, 2012. This report has been prepared in accordance with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

The City's financial policies require an external independent audit be performed annually, and that the auditor's opinions be included in the Comprehensive Annual Financial Report (CAFR). Further, it states that the results be reviewed with the Finance Subcommittee, and presented to the City Council no later than February 1st of the following year. The Finance Subcommittee met with the auditor and discussed the results in December 2012.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All material, statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.

City management is responsible for establishing and maintaining fiscal internal controls designed to safeguard the assets of the government from loss, theft or misuse, and to ensure that accounting data is accurately compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived, and the valuation of costs and benefits require estimates and judgments by management.

The City's financial statements have been audited by Lance, Soll & Lunghard, CPAs, an accounting firm selected by the City Council, based on a recommendation from the Finance Subcommittee. The

goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Manhattan Beach's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with generally accepted accounting principles (GAAP).

The independent auditor's report is presented as the first component of the financial section of this report. Due to the amount of Federal grant funds the City received in FY 2011-2012, the City is required to conduct a "single audit."

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the Management Discussion & Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

Profile of the Government

The City of Manhattan Beach is located in South Bay region of Los Angeles County. The current population¹ is 35,239. The City encompasses approximately four square miles.

Incorporated in 1912 under the general laws of the State of California, the city operates under the Council-Manager form of government. The City Council is comprised of five members elected at-large for overlapping four-year terms. Each member may serve as Mayor for a nine month period once during his or her four year term in office. The City Treasurer is also elected to a four year term, and serves as the chairperson for the Finance Subcommittee. City Councilmembers are limited to two consecutive terms.

The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and appointing the City Manager and City Attorney. The City Councilmembers also serve as the governing body of the Manhattan Beach Capital Improvements Corporation (please see Note 1 in the CAFR for more information).

In addition, the City Council appoints the members of the following advisory Boards and Commissions:

Planning Commission	Parking and Public Improvements Commission
Parks & Recreation Commission	Board of Building Appeals
Library Commission	Business Improvement District Advisory Boards
Cultural Arts Commission	

¹ State of California Department of Finance, January 2012

The city is a full-service municipality, and provides a variety of services to the community, including:

Police services	Fire and paramedic services
Culture and recreation	Building and safety
Solid waste and recycling	Water and waste water utilities
Storm water management	Parking facilities
Street and landscape maintenance	General government

Budget Process

The City's budget process begins in January of each year. Line-item budget development is accomplished through the City's financial system, which allows each department to build its budget using computerized worksheets. The departments are responsible for developing the Materials & Supplies line items and part-time employees' salaries. The remaining Salary & Benefit information is calculated and entered by the Finance Department. All supplemental budget requests (new personnel, service or equipment) are subject to City Manager review and approval before becoming part of the operating budget. This process applies to all governmental and enterprise funds.

The Finance Director, in coordination with the applicable operating departments, provides the City Manager with proposed revenue projections. These revenue estimates are reviewed with the department budget requests to determine available funding levels for the fiscal year. The City Manager and Finance Director meet with the departments to review the operating and supplemental budget requests.

After final review and approval by the City Manager, the proposed budget document is presented to the City Council in May. At least two study sessions and a public hearing are held by the City Council. The budget is adopted by resolution prior to June 30.

During the fiscal year, the budget can be amended as necessary to meet the City's needs. The City Council has the legal authority to amend the budget at any time. Department Heads and their designated representatives may only authorize expenditures based on appropriations approved by City Council action, and only from accounts under their organizational responsibility. Actual expenditures may exceed budget appropriations by line-item. However, total expenditures within each fund may not exceed the total appropriation for that fund. The City Manager has the authority and discretion to approve interdepartmental appropriation transfers as long as they are within the same fund. Inter fund transfers require a budget amendment by the City Council.

Economic Condition

Local Economy

The South Bay region is home to a number of industries including aerospace, entertainment, leisure and tourism, and manufacturing. Economists report that the South Bay area has strong fundamentals including high levels of education, high incomes and competitive industries. Further, the area has fared better during the recent weak economic conditions than some other areas of the state. Case in point, the most recently available figures indicate that Manhattan Beach has a 3.6% unemployment rate, while the county and state are both above 10%.

Long Term Planning

Each year during the budget process, the City develops a five year forecast of General Fund revenues and expenditures. During the most recent budget cycle (FY 2012-2013), the forecast concluded that, after accounting for annual transfers to the Capital Projects Fund in support of \$2 million of annual projects, unassigned General Fund balances will remain stable, ranging from an estimated \$15.4 million at the end of FY 2012-2013 to \$13.2 million in FY 2016-2017. It is important to note that those estimates assumed no change in the existing salary and benefit levels (with the exception of certain contractual adjustments) over the term of the forecast. Labor contracts were previously extended on the existing terms through December 2012. New labor agreements are being negotiated and are expected to be in place in early 2013, providing predictability in labor costs, which account for 70% of General Fund expenditures annually. The City Council's Financial Policy to maintain a balance of 20% of General Fund expenditures will remain funded. The complete five year forecast can be found in the FY 2012-2013 budget document, available on line at www.citymb.info. It will be updated for the FY 2013-2014 budget to reflect FY 11-12 results as presented in this audit report.

Financial Policies

In 1997-1998, the City Council approved the City's first set of financial policies, designed to promote sound financial management and ensure that the City's fiscal integrity remains intact as staff and Councilmembers change. This CAFR reflects these financial guidelines. While governmental accounting standards do not classify reserves specifically, and list such designations as "unassigned" assets due to the spendable nature of the funds, please note that the City's unassigned assets do include those funds previously classified as designated for reserves in an effort to define fund balance as of the financial report date.

It is the City's policy to maintain Triple-A ratings from all three credit rating agencies: Standard & Poor's, Fitch and Moody's. This rating, the highest possible, indicates the City's strong capacity to meet financial commitments, low debt levels, healthy reserves and conservative budgeting/fiscal policies.

Major Initiatives

Library Improvements: During the year, the City continued with the County planning the construction of a new library in the location of the existing facility. It is anticipated that this project, estimated to cost \$22.75 million, will be fully funded by the County of Los Angeles with the surplus property tax currently paid by Manhattan Beach property owners to the County Library District. The project includes expanding the library from its current 12,500 square feet to approximately 22,000 square feet. Construction is expected to begin in the first half of 2013.

Water and Waste Water Systems: During FY 2009-2010, the City Council acted on infrastructure and rate studies of the City's water and waste water (sewer) utilities. The studies were ordered to ensure funding for the timely maintenance and repair of these mission critical systems. Additionally, with the cost of imported water rising in response to drought conditions, adjustments in rates were necessary in order to maintain the financial integrity of the utilities. A Proposition 218 protest vote was held in Fall 2009 which authorized the implementation of a five year tiered rate plan for these utilities. The first increase took effect in January 2010. Annual increases in water and sewer rates are scheduled until 2014, which will encourage conservation, and allow for cash funding of the majority of maintenance costs going forward, as well as the funding of increased reserves for the enterprises.

Open Government: The City remains committed to open, transparent and inclusive government. This is achieved by strengthening effective communication with the public, maximizing informed engagement, and encouraging a sense of common purpose. To that end, enhancements include improved transparency and accessibility to the City's public meetings, additional broadcast capability of public meetings, and increased opportunity for community input on issues. New technology to enable these improvements has been authorized and will be installed in the near term.

Community Facility Improvements: During FY 2011-2012, the City spent over \$3 million to renovate important community facilities, including the Joslyn and the Manhattan Heights Community Centers, Begg Pool and the Live Oak studio and recreation hall. Rehabilitation provided improved aesthetics, culinary facilities and community gathering space.

Executive Financial Overview

This top level overview is presented as a supplement to the more detailed and comprehensive analysis presented in the MD&A. As such, it serves to highlight key financial performance indicators for our major funds. We encourage readers to review the MD&A for a further analysis of the City's financial condition.

General Fund

The General Fund is the primary operating fund of the City of Manhattan Beach. In comparing year end 2012 to 2011, the total fund balance remained stable, decreased by \$44,029. General Fund revenues exceeded expenditures by \$3,056,944. Other Financing Sources (transfers-in, transfers-out and sale of capital assets) netted out to a negative \$3,100,973, largely due to the transfer of funds from the General Fund to the CIP Fund (\$3 million) to support future capital improvement projects. At the end of fiscal year 2012, the total General Fund balance equaled \$19.9 million, with an unassigned fund balance of \$18.1 million. Within the unassigned fund balance, City Council has established earmarks for financial policies and economic uncertainties of \$14.1 million, which is available for use at City Council's discretion.

General Fund transfers included:

- \$3 million to the Capital Improvement Project (CIP) Fund for future projects.
- \$201,291 to the Street Lighting Fund to relieve a deficit fund balance.
- \$151,784 of excess reserves from the County Lot Fund in line with the contract with the County of Los Angeles.
- \$51,900 to the Parking Fund for reimbursement for parking meters purchased

The City's General Fund revenues showed improvement from the prior year, particularly in Property Tax, and Other Taxes (sales, transient occupancy, business license, etc.). This can be noted by the trends below:

General Fund Revenues by Category - Fiscal Year 2012

Revenue Category	2011 Actual	2012 Actual	Increase/ (Decrease)	%
Property Tax	\$19,791,425	\$20,408,314	\$616,889	3.1%
Other Taxes (Sales, Hotel, Business License, etc.)	15,834,382	16,665,542	\$831,160	5.2%
Licenses and Permits (Building, Construction, Film Permits)	1,281,400	1,414,596	\$133,196	10.4%
Fines (Parking Citations, Vehicle Code Fines)	2,757,132	2,689,591	(\$67,541)	(2.4%)
Interest and Rents (including Ground Leases)	2,569,397	2,541,577	(\$27,820)	(1.1%)
Received From Other Agencies (Vehicle License Fees, Grants)	499,736	714,958	\$215,222	43.1%
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	5,818,102	5,728,402	(\$89,700)	(1.5%)
Interfund Charges (Admin Service Charge)	3,025,305	3,276,516	\$251,211	8.3%
Miscellaneous*	456,750	548,320	\$91,570	20.0%
Total	\$52,033,629	\$53,987,816	\$1,954,187	3.8%

*Includes proceeds from the sale of capital assets.

Sales tax was up \$521,998 (6%) from the prior year's actual receipts, and came in above budgetary estimates by 7%. Business License Tax exceeded budget by \$264,177 (10%) and the prior year by 6%. Interest earnings exceeded budget by 13% due to higher fund balances than projected during budget preparation. Plan Check fees exceeded budget by 14% and the prior year by 20% due to increased activity levels, resulting in a year-over-year revenue increase of \$160,931. Building Permits were 14% above budgetary estimates, and level with the prior year (\$818,400). Real Estate Transfer Tax revenue exceeded prior year by 10% and budget by 45% due to increased real estate market activity. On an overall basis, General Fund revenues (\$54 million) were \$1.95 million (4%) ahead of last year and exceeded budget estimates by \$2.4 million (5%).

Other Funds

Capital Improvement Fund

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental infrastructure and facilities capital projects. In FY 2012, the CIP Fund had total revenues of \$1.34 million, and expenditures of \$4.09 million. At June 30, 2012 the total balance in the CIP Fund was \$5.9 million. Of this balance, \$4.2 million is committed for planned infrastructure projects, and \$817,075 is restricted for debt service for the Police & Fire facility. \$809,436 is non-spendable due to a long term advance to the Parking Fund of \$771,100 and \$38,336 for the City's Underground Assessment District Loan Program. Committed funds for defined capital projects at year end include:

- \$472,086 for the renovation of City facilities
- \$319,882 for the Strand stairs project
- \$300,000 for City Hall energy efficient lighting and ventilation
- \$108,015 for the City Yard fuel island cover
- \$50,000 for Sand Dune fencing
- \$43,017 for Begg Pool renovations

Enterprise, Internal Service, and Special Revenue Funds

This group includes the City's enterprises such as Water, Waste Water, Storm Water and Refuse funds; internal service funds such as fleet, insurance, building maintenance and information systems; and Special Revenue funds including Gas Tax, Proposition A & C, Grants, Measure R, Asset Forfeiture, etc. Among this group, several funds deserve attention.

The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility's operation and infrastructure. Net income from operations totaled \$4,119,271, an improvement from the prior year which had net operating income of \$1,359,368. Revenue from sales increased by 31%, while operating expenses (labor, materials, services, etc.) rose by 2.4%. During FY 2010, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds. The new rate structure became effective in January 2010 and provides for annual increases each January through 2014. The most recent increase in water rates, which became effective half way through fiscal year, contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure, estimated at \$27.4 million over the next five years.

The Waste Water fund net operating income for FY 2011-2012 was \$1,416,545 versus \$1,000,284 in FY 2010-2011 – a net increase of \$416,261, or 41.6%. Revenue from sales increased \$464,967 (17.8%) while operating expenses increased \$48,743 (3.0%). This improvement is primarily due to new waste water rates implemented along with the water rates in January 2012. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system.

The Refuse Fund improved from the prior year when it realized a net operating loss of \$195,092. Net income from operations totaled \$172,864 in FY 2011-2012. Operating expenses decreased by \$193,856 (4.4%) while operating revenues rose by \$174,100 (4.2%). The implementation of a new refuse hauling contract in late fiscal year 2011 along with a new rate structure mitigated losses from the previous years.

The Street Lighting Fund continues to run deficits each year. For FY 2011-2012, expenditures exceeded revenues by \$201,291. Because there is no fund balance to draw upon, the General Fund contributed the entire amount needed for continued operations. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

The Stormwater Fund continues its losses from prior years. The net operating loss in FY 2011-2012 totaled \$397,854, up from the FY 2010-2011 loss of \$61,179. The combination of fixed assessments and rising costs currently requires a General Fund subsidy of administrative overhead, and ultimately will require cash subsidies. Additionally, capital improvements due to legislative mandates will also result in increased costs. A Proposition 218 assessment vote will be necessary to properly fund operations going forward.

Trust and Agency Funds

In several cases, the City acts as a custodian of funds held for the benefit of others which mostly relates to the administration of employee pension and 401(a) deferred compensation plans. All such plan funding requirements have been maintained. City Plans include the supplemental retirement and single highest year programs - dormant plans which were previously offered by the City. It is significant to note that this financial report does not include the value of trust holdings in the employees' 457 deferred compensation plan at June 30, 2012, thus recognizing enacted legislation establishing the City as a plan trustee and protecting these employee-owned assets from external creditors.

The trust and agency fund group also includes debt service funds held in trust on behalf of the under-grounding assessment districts. This fund accounts for assessment collections and the related debt service payments. The cash held as of June 30, 2012, will be used to pay bondholders in FY 2012-2013.

Please refer to the MD&A in the Financial Section that follows.

CURRENT TRENDS AND EVENTS

While there are lingering effects of the last economic recession, the local economy continues to improve. In prior fiscal year (2010-2011), the City's biggest General Fund revenue source, property tax, declined from prior year receipts by 1.1%, primarily due to a decline in secured property tax collections. However, with real estate sales continuing to improve, and historically low interest rates spurring buyers, FY 2011-2012 property tax revenues grew 3.1%. This trend is expected to continue in FY 2012-2013.

Retail sales activity is improving as well, and with it, sales tax revenues, which were up from the prior year. Transient Occupancy Tax revenues declined this past year due to planned renovations at two local hotels. However, the combination of those hotels returning to full operation, and the general improvement in the economy, tourism and travel, improvement is expected in this revenue. Building related fees such as building permits and plan check fees, which gained in FY 2011-2012, are expected to continue to increase as well.

As a service organization, labor accounts for majority of costs - approximately 70% in the General Fund. The previous long term labor agreements with the three existing bargaining units (Police, Fire and Miscellaneous), which expired in 2011, were extended to December 2012. On-going labor negotiations are expected to result in three year labor agreements with the bargaining units, effective in early 2013. Negotiations with a newly-formed collective bargaining unit representing Police Management (Captains and Lieutenants) will commence in early 2013 as well.

During the recent economic downturn, the City controlled and reduced expenditures through belt tightening and elimination of vacant positions. With the economy improving, several positions were reinstated in the FY 2012-2013 budget, including two police officers, jail staff and an Associate Planner in the building department. A new Police lieutenant position was also added.

While the past few years have been challenging, Manhattan Beach has weathered the storm and remains in sound financial condition. Established reserves remain funded, and the City continues to

operate efficiently and effectively, all while continuing to provide outstanding services for the community.

OTHER INFORMATION

Acknowledgments: This report was made possible through the efforts and teamwork of the highly dedicated Finance staff. Special thanks to Henry Mitzner, Jeanne O'Brien, Eden Serina, Eugene Wee and Julie Chan. Appreciation is also expressed to the City Council and City Treasurer for their interest and support, which made this presentation possible, and to the City's auditing firm of Lance, Soll & Lunghard, LLP for their professional and diligence in preparing this year end financial report.

In closing, we would like to remember two dedicated public servants:

Earle Hupp Jr., CPA, served as City Treasurer, and Chairman of the City's Finance Subcommittee from 1997 to 2005. His leadership and guidance on the City's investment portfolio, in-depth understanding of the annual financial audit, and professional advice and support were key success factors during his eight years in office.

As an accountant for the City from 1992 to 2009, Sande Johnson played a leading role in ensuring the accuracy and thoroughness of the City's financial records. Her diligence led to the City repeatedly receiving financial reporting awards from the Government Finance Officers Association and the California Society of Municipal Finance Officers. Her efforts contributed to the unqualified (clean) audit opinions the City repeatedly achieved over the years.

Earle and Sande selflessly served the community, and greatly enhanced the City's financial positioning and accountability, for which we are grateful.



David N. Carmany, City Manager



Bruce Moe, Finance Director

ELECTED OFFICIALS & EXECUTIVE STAFF

ELECTED OFFICIALS		TERM ENDS
<i>Mayor</i>	Wayne Powell	March 2013
<i>Mayor Pro-Tem</i>	David Lesser	March 2015
<i>City Councilmembers</i>	Richard Montgomery	March 2013
	Nicholas W. Tell, Jr.	March 2013
	Amy Howorth	March 2015
<i>City Treasurer</i>	Tim Lilligren	March 2013

EXECUTIVE STAFF

<i>City Manager</i>	David N. Carmany
<i>City Clerk</i>	Liza Tamura
<i>City Attorney</i>	Quinn M. Barrow
<i>Director of Finance</i>	Bruce Moe
<i>Director of Human Resources</i>	Cathy Hanson
<i>Director of Parks & Recreation</i>	Richard Gill
<i>Chief of Police</i>	Eve R. Irvine
<i>Fire Chief</i>	Robert Espinosa
<i>Director of Community Development</i>	Richard Thompson
<i>Director of Public Works</i>	Jim Arndt

CITIZENS OF MANHATTAN BEACH

City Council

City Treasurer

Parking & Public Improvements Commission

Board of Building Appeals

Planning Commission

Parks & Recreation Commission

Cultural Arts Commission

Library Commission

City Attorney

City Manager

City Clerk

Finance

Human Resources

Parks & Recreation

Police

Fire

Community Development

Public Works

Administration
~
Records Management
~
Elections
~
Conflict of Interest/
Campaign Filing
~
Open Government

Administration
~
Accounting
~
Revenue Services
~
General Services
~
Information Systems

Administration
~
Risk Management

Administration
~
Recreation Services
~
Cultural Arts
~
Sports & Aquatics
~
Volunteers
~
Transportation

Administration
~
Patrol
~
Investigations
~
Technical Support
~
Crime Prevention
~
Traffic Safety
~
Jail Operations
~
Parking Enforcement
~
Animal Control
~
Asset Forfeiture

Administration
~
Prevention
~
Suppression
~
Paramedics
~
Emergency Preparedness

Administration
~
Planning
~
Building
~
Code Enforcement
~
Traffic Engineering

Administration
~
Civil Engineering
~
Street Maint
~
Bldg & Grounds Maintenance
~
Transportation
~
Street Lighting & Landscaping
~
Streetscape Maint
~
Water Programs
~
Storm Drain Maint
~
Sewer Maint
~
Solid Waste Mgmt
~
Parking Facilities
~
Fleet Mgmt

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Manhattan Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morill

President

Jeffrey R. Enow

Executive Director



**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

**Finance Department
City of Manhattan Beach, California**



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date August 14, 2012



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Financial Section



CERTIFIED PUBLIC ACCOUNTANTS

- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Manhattan Beach, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manhattan Beach, California, (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other



To the Honorable Mayor and Members of City Council
City of Manhattan Beach, California

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Solt & Lughard, LLP

Brea, California
January 8, 2013

CITY OF MANHATTAN BEACH

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Manhattan Beach, we offer our readers of these financial statements this narrative overview and analysis of the financial activities of the City of Manhattan Beach for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to ix of this report.

FINANCIAL HIGHLIGHTS

Government Wide Financial Basis

- As of June 30, 2012, the City's total net assets citywide (including all governmental and business type activities) totaled \$182,174,652. This is an increase from the prior fiscal year of \$5,163,879, or 2.9%.
 - Governmental net assets were restated as of July 1, 2011 by a reduction of \$3,986,849 (see Statement of Activities and footnotes 9 and 15 for details). Change in net asset activity for the fiscal year was positive \$3,403,170. Consequently, comparative fiscal year schedules will indicate a reduction of net assets of \$583,679.
 - Business type activity net assets increased by \$5,747,558 (13.6%).
- Unrestricted net assets, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$47,166,327. This is an increase of \$2,267,132 (5.1%) from FY 2010-2011 levels. Net income from utilities (water, wastewater and refuse) contributed to this increase.
- Citywide capital assets, net of depreciation, increased by \$1,658,046 from the prior year. Governmental net capital assets increased by \$915,308; net capital additions of \$4,279,898 were offset by accumulated depreciation of \$3,364,590. Business type net assets increased by \$742,738; additions were \$1,726,760 and accumulated depreciation was \$984,022.
- The City's bond debt decreased by \$1,925,000 during FY 2011-2012. This decrease is attributable to the scheduled principal pay down of issued bonds and leases by both governmental activities (\$1,485,000) and business type activities (\$440,000).
- Long term insurance claim reserves increased by \$2,160,832 primarily attributable to new claims activity.

Fund Financial Basis – Governmental Funds

- As of June 30, 2012, the General Fund balance was \$19,860,593. Fund revenues exceeded expenditures by \$3,056,944.
- Total Governmental Fund revenue totaled \$59,435,583, an increase of \$2,982,605 (5.3%) from the prior year. An improving economic climate contributed to higher tax revenue. Increased building related fees and other service charges also added to total revenue.
- Governmental Fund expenditures totaled \$57,509,547, up \$3,498,694 (6.5%) from FY 2010-2011. This increase was driven by capital improvement project activity.
- General Fund transfers out totaled \$3,253,191. This included transfers to the Capital Improvement Project (CIP) Fund of \$3 million, Street Lighting Fund of \$201,291, and \$51,900 to the Parking Fund. General Fund transfers in equaled \$151,784 from the County Parking Fund.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Reporting on the City as a Whole

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Manhattan Beach is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs on a full-accrual basis, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government wide statement of activities has two components:

Governmental Activities

This is a consolidation of all governmental funds and includes the General Fund, Capital Projects Funds, Special Revenue Funds and Internal Service Funds. These funds are supported by taxes, intergovernmental revenues, grants, and charges for services. Expenses include materials and labor, depreciation, and amortization of prepaid pension obligations. Governmental fund expenditures for payment of principal on long term debt and capital assets are excluded. All intra-governmental charges and expenses and transfers within governmental funds are eliminated.

All internal service fund expenses and depreciation on capital assets are fully allocated to each functional program. Expenses are classified among the following programs: general government, public safety, culture and recreation, and public works. Program activities that produce revenues or receive grant support are applied against program expenses to yield the net expenses. Revenues that cannot be attributed to a specific program, such as taxes and interest (e.g. General Revenues), are shown separately. The total of General Revenues, less net program expenses, generates the change in net assets. Total net assets of governmental activities differs from fund balances of governmental funds by long term assets (capital and prepaid pension), long term liabilities and the total of internal service fund net assets.

Business Type Activities

This includes all enterprise funds (Water, Waste Water, Storm Water, Refuse and Parking Funds). These activities have been traditionally presented as enterprise funds and tie directly to the *Statement of Revenues, Expenses, and Change in Net Assets – Proprietary Funds*, as shown in the Funds section of this report.

The government-wide financial statements can be found on pages 17 to 19 of this report.

Reporting on the City's Most Significant Funds

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Manhattan Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. In effect, the budgetary government fund statements are working capital flow of funds statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds *Balance Sheet*, and *Statement of Revenues, Expenditures and Changes in Fund Balances*, there are respective reconciliations of the fund balance to *Statement of Net Assets*, and *Net Change in Fund Balances* – total governmental funds to change in net assets of governmental activities. As discussed above, the reconciliations include treatment of capital expenditures, depreciation, changes in capital assets, long term debt, prepaid pension costs, full accrual versus modified accrual and change in net assets of internal service funds.

The City of Manhattan Beach maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and the Capital Projects fund, both of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the fund financial statements section of this report.

The City of Manhattan Beach adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21 to 25 of this report.

Proprietary funds: Proprietary funds account for goods and services provided to customers and for cost recovery via service charges. There are two types of proprietary funds: enterprise funds which provide services to outside users (residents and businesses of Manhattan Beach), and internal service funds, which provide services to City departments. The City uses internal service funds to account for its fleet of vehicles, computer systems, shared building and maintenance costs, and City-wide insurance costs. Because these services predominantly benefit the governmental function, they have been included within governmental activities in the government-wide financial statements and related intra-governmental charges and transfers have been eliminated accordingly, except for charges and transfers to the enterprise funds, which are quasi-internal transactions.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements. Four of the City's seven enterprise funds are considered major funds and presented as such in the fund financial statements. The three non-major

funds, Storm Water, County and State parking lots, are presented individually in the combining statements.

The combining statements referred to earlier in connection with non-major governmental funds, proprietary and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 80 to 107 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 to 79 of this report.

The City as Trustee

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budget-to-actual financial comparisons for the General Fund. The City has elected to present this information within the basic financial statement and financial statement sections of the report. Note 9 provides detailed analysis of City retirement plans.

All of the City's fiduciary activities are reporting distinctly in a separate Statement of Fiduciary Assets and Liabilities. These figures are not combined with other financial statements because the City cannot use these assets to finance present or future operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net assets (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Manhattan Beach, net assets totaled \$182,174,652 at June 30, 2012.

By far, the largest portion of the City's net assets (67%) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment). The City uses these capital assets in the provision of services to citizens.

City of Manhattan Beach Net Assets

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current Assets	\$53,966,277	\$49,691,017	\$20,582,766	\$15,120,144	\$74,549,043	\$64,811,161
Total Capital Assets Net of Depreciation	115,645,611	114,730,303	42,658,829	41,916,091	158,304,440	156,646,394
Other Non-Current Assets	6,686,935	10,684,968	1,923,535	1,675,188	8,610,470	12,360,156
Total Assets	\$176,298,823	\$175,106,288	\$65,165,130	\$58,711,423	\$241,463,953	\$233,817,711
Current Liabilities	\$15,216,304	\$12,281,082	\$3,245,447	\$2,039,248	\$18,461,751	\$14,320,330
Non-Current Liabilities	26,877,947	28,036,955	13,949,603	14,449,653	40,827,550	42,486,608
Total Liabilities	\$42,094,251	\$40,318,037	\$17,195,050	\$16,488,901	\$59,289,301	\$56,806,938
Invested in Capital Assets Net of Related Debt	\$93,795,301	\$93,795,303	\$28,293,829	\$27,111,091	\$122,089,130	\$120,906,394
Restricted	11,185,142	9,479,279	1,734,053	1,725,905	12,919,195	11,205,184
Unrestricted	29,224,129	31,513,669	17,942,198	13,385,526	47,166,327	44,899,195
Total Net Assets	\$134,204,572	\$134,788,251	\$47,970,080	\$42,222,522	\$182,174,652	\$177,010,773

Governmental Activities net assets have been restated in FY 2011-12 to reflect a change in the accounting treatment of previously pre-funded pension liabilities. In 2007 the City issued pension obligation bonds (POBs) to payoff the City's "side fund" liabilities for the CalPERS public safety retirement plans which CalPERS had pooled for efficiency with other small agencies. The City's prepayment of its side funds with POB proceeds was originally treated as an asset as it would have been in a single employer plan. However, upon further review, and in accordance with the Governmental Accounting Standards Board (GASB) guidelines, the original side funds prior to prepayment should have been recorded as a liability at the time the City entered the risk pools. As a result, the previously recorded assets (\$3,986,849) in Governmental Activities have been adjusted. See Note No. 15 for more details.

Net assets of the City's *Governmental* activities amounted to \$134.2 million, an increase from the prior year of \$3,403,170 as restated. Of the \$134.2 million, \$93.8 million is invested in capital assets net of related debt such as land, buildings, machinery, infrastructure, equipment and other improvements; \$11.2 million is restricted for debt service or for Special Revenue Fund resources that are subject to external restrictions on use. The balance of unrestricted net assets (\$29.2 million) is available to the City. A significant portion of this remaining balance is subject to internal policy reserves regarding working capital.

Net assets of the City's *Business-type* activities totaled \$48.0 million. This represents an increase from FY 2010-2011 of \$5.7 million. \$28.3 million is invested in capital assets (land, buildings, machinery, equipment, etc.) net of related debt, while \$1.7 million is reserved for debt service and for business improvement district use. \$17.9 million is unrestricted to the City.

The City's total change in net assets amounts to an increase of \$5,163,879. This change is primarily due to utility (water, wastewater and refuse services) net income. The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ending June 30, 2011 and June 30, 2012:

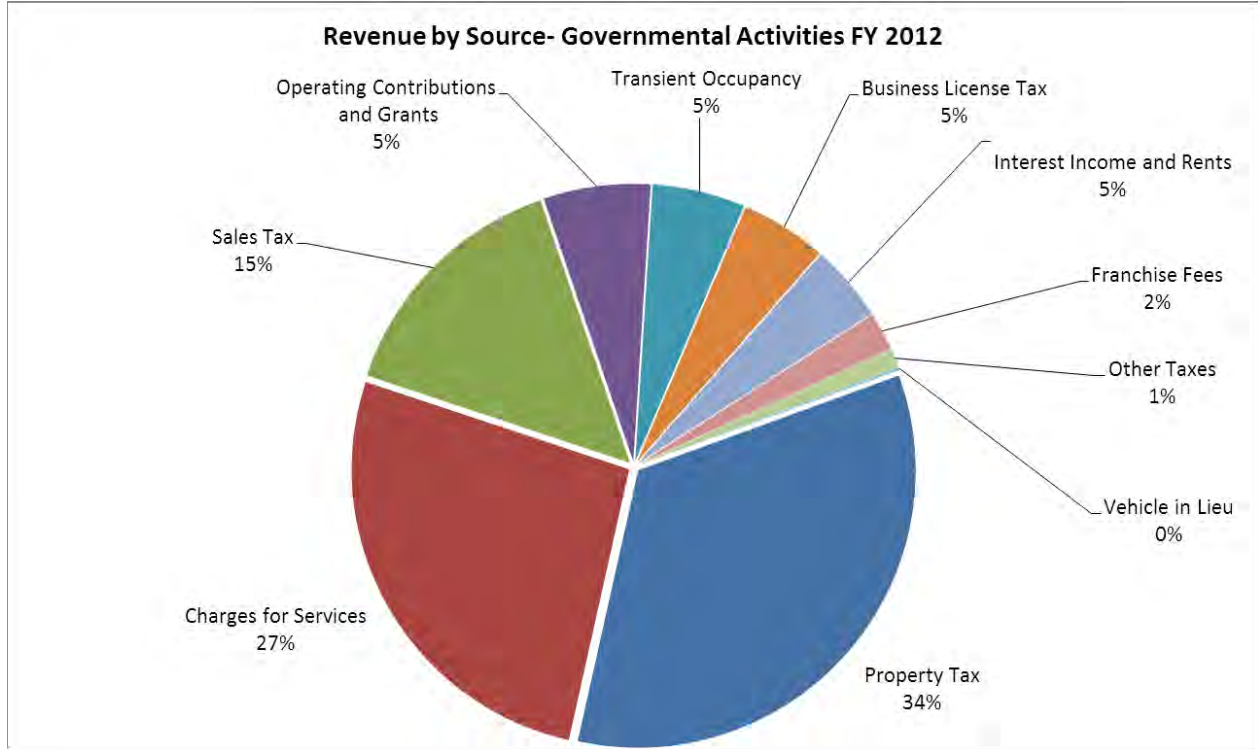
City of Manhattan Beach Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	\$15,946,883	\$15,119,489	\$23,779,406	\$19,723,833	\$39,726,289	\$34,843,322
Operating Contributions and Grants	1,183,103	1,322,867	33,209	19,638	1,216,312	1,342,505
Capital Contributions and Grants	2,554,310	1,504,759	-	-	2,554,310	1,504,759
General Revenues:						
Property Taxes	20,408,314	19,791,425			20,408,314	19,791,425
Other Taxes	17,055,448	16,133,746			17,055,448	16,133,746
Motor Vehicle in Lieu	95,915	118,296			95,915	118,296
Interest and Rents	2,690,982	2,725,421	144,701	153,713	2,835,683	2,879,134
Total Revenues	\$59,934,955	\$56,716,003	\$23,957,316	\$19,897,184	\$83,892,271	\$76,613,187
Expenses:						
General Government	\$9,489,937	\$9,464,347			\$9,489,937	\$9,464,347
Public Safety	32,190,597	30,655,122			32,190,597	30,655,122
Public Works	8,369,506	8,338,105			8,369,506	8,338,105
Culture & Recreation	5,761,135	5,922,447			5,761,135	5,922,447
Interest on Long-Term Debt	820,494	896,096			820,494	896,096
Water, Waste, Storm	-	-	11,016,162	10,429,398	11,016,162	10,429,398
Refuse	-	-	4,205,443	4,386,842	4,205,443	4,386,842
Parking	-	-	2,888,269	2,352,386	2,888,269	2,352,386
Total Expenses	\$56,631,669	\$55,276,117	\$18,109,874	\$17,168,626	\$74,741,543	\$72,444,743
Revenues Over Expenses	3,303,286	1,439,886	5,847,442	2,728,558	9,150,728	4,168,444
Transfers In (Out)	99,884	106,362	(99,884)	(106,362)	-	-
Increase (Decrease) in Net Assets	\$3,403,170	\$1,546,248	\$5,747,558	\$2,622,196	\$9,150,728	\$4,168,444
Net Assets - Beginning	\$134,788,251	\$133,242,003	\$42,222,522	\$39,600,326	\$177,010,773	\$172,842,329
Restatement of Net Assets	(\$3,986,849)	-	-	-	(3,986,849)	-
Net Assets - June 30 (Year End)	\$134,204,572	\$134,788,251	\$47,970,080	\$42,222,522	\$182,174,652	\$177,010,773

Changes in Net Assets - Governmental Activities

The City's governmental activities in FY 2011-2012 increased net assets by \$3,403,170 (2.6%) from FY 2010-2011 (restated).

Total governmental activities revenue of \$59,934,955 is broken out as follows:



Functional expenses (excluding interest on debt) for the years ending June 30, 2012 and 2011 were as follows:

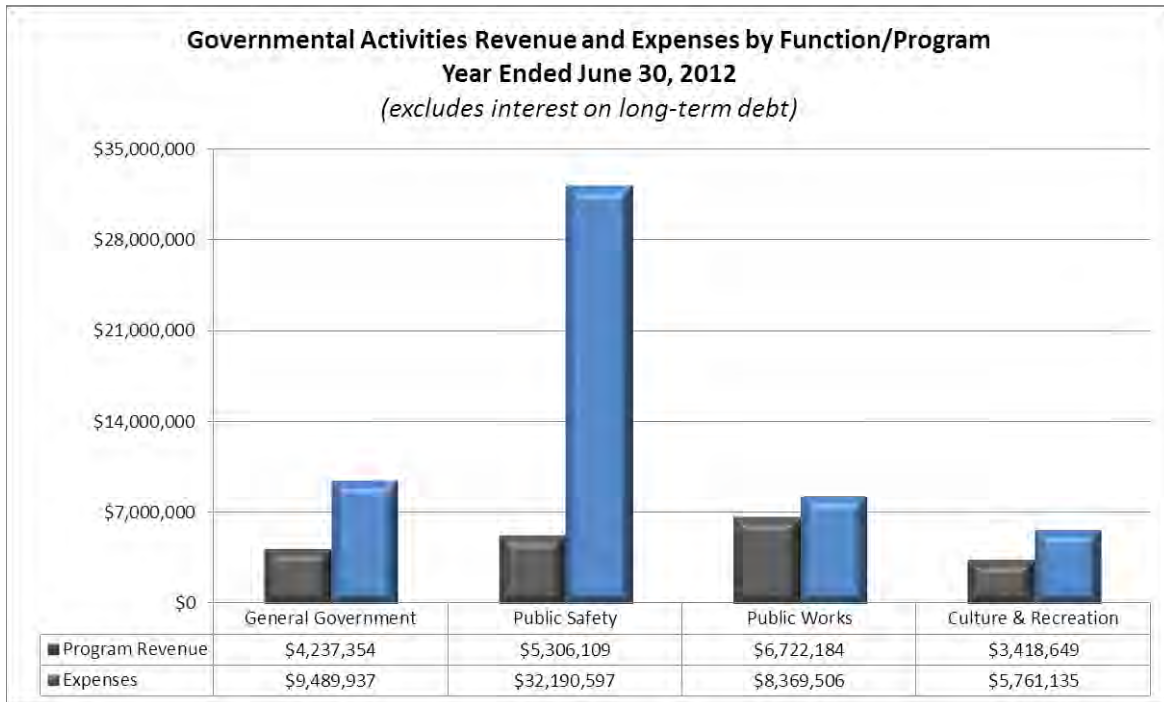
Governmental Activities - Cost of Services

Excludes Interest on Long-Term Debt

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General Government	9,489,937	9,464,347	(5,252,583)	(5,568,937)
Public Safety	32,190,597	30,655,122	(26,884,488)	(25,680,722)
Public Works	8,369,506	8,338,105	(1,647,322)	(2,876,195)
Culture and Recreation	5,761,135	5,922,447	(2,342,486)	(2,307,052)
Total	\$55,811,175	\$54,380,021	(\$36,126,879)	(\$36,432,906)

The total cost of services increased from the prior year by \$1,431,154 (2.6%), while the net cost of services decreased by \$306,027 (.8%) from the prior year. Total cost of services for Culture and Recreation decreased \$161,312, while General Government, Public Safety and Public Works increased a combined \$1,592,466.

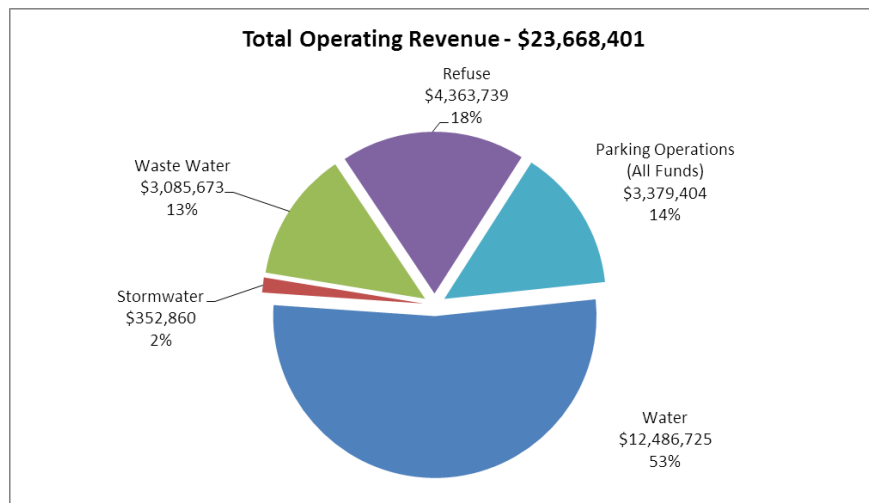
The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2012.



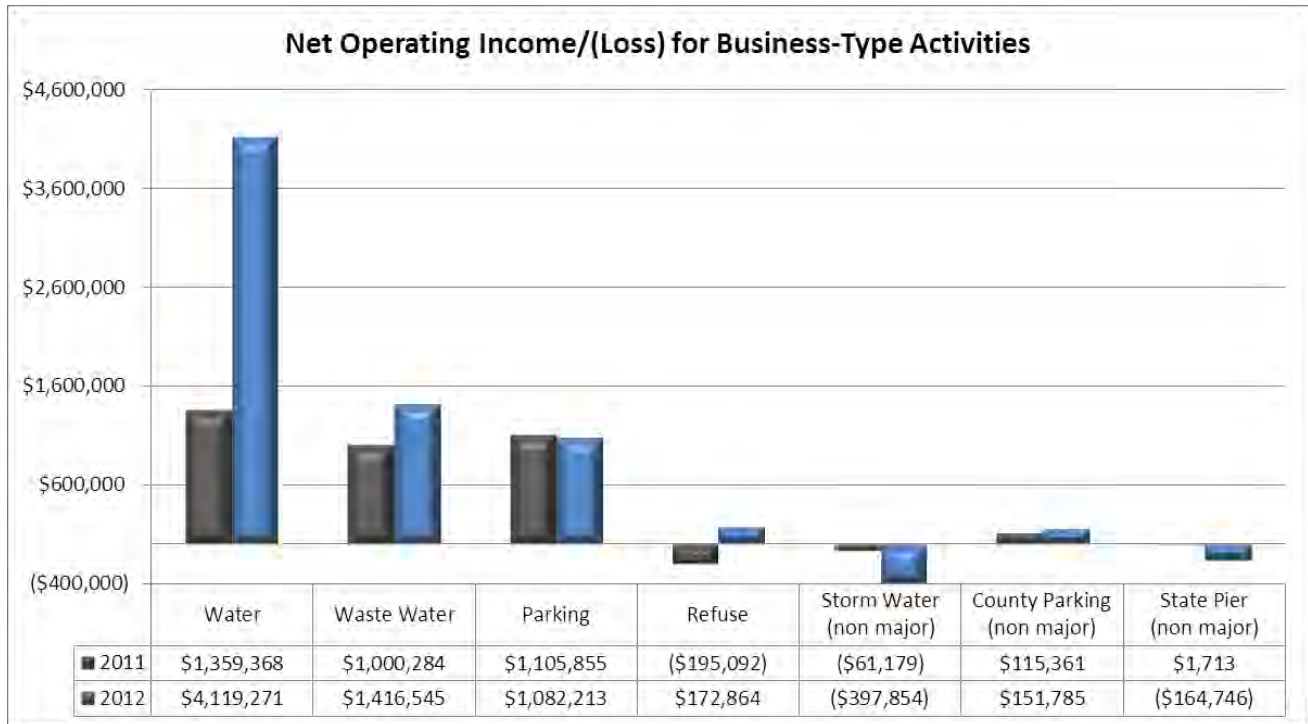
Change in Net Assets - Business Type Activities

In fiscal year 2011-2012, total revenues for the City’s business type activities amounted to \$23,957,316. Operating revenues totaled \$23,668,401, while non-operating revenues (primarily interest income) totaled \$288,915. Expenses totaled \$18,109,874, of which operating expenses equaled \$17,288,323, and non-operating expenses (primarily debt interest expense) totaled \$821,551. Total income from operations was \$6,380,078, while net income before transfers was \$5,847,442. After net transfers out totaling \$99,884, net assets increased by \$5,747,558.

Operating Revenues by Source - Business Type Activities FY 2012



Operating Income varied across the business-type activities in FY 2012. A year-over-year comparison is presented below. Further analysis of the major funds is discussed later in this report.



FUND FINANCIAL STATEMENTS

Governmental Funds

As of the end of the 2012 fiscal year, the City's governmental funds ending fund balances totaled \$35.4 million, an increase of \$2.0 million (6.1%) in comparison with the prior year.

Approximately \$18.1 million (51%) of the Governmental Funds total constitutes unassigned fund balance. The remainder of the fund balance (\$17.3 million) is non-spendable, restricted or committed to indicate that it is not available for new spending because it has already been committed for on-going capital projects, advanced to other funds, for legally restricted use, or for legally-required debt service reserves.

Notwithstanding Governmental Accounting Standards Board (GASB) pronouncements, the City Council has established earmarks within the unassigned category for working capital and budgetary capital planning initiatives. Of the \$18.1 million unassigned governmental fund balance noted above, \$14.1 million has been designated by City Council actions.

General Fund

The General Fund is the chief operating fund of the City of Manhattan Beach. At the end of the 2011-2012 fiscal year, unassigned fund balance of the General Fund was \$18.1 million, while total fund balance was \$19.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.3 months of total General Fund expenditures, while total fund balance represents 4.7 months of General Fund expenditures.

During the year, General Fund revenues exceeded expenditures by \$3,056,944.

Net transfer activity in this fund totaled negative \$3,101,407 and included the following transfers:

- \$3,000,000 was transferred to the CIP Fund for general infrastructure improvements
- \$201,291 was transferred to the Street Lighting Fund to relieve a deficit fund balance
- \$151,784 of excess reserves from the County Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles
- \$51,900 was transferred for the reimbursements of parking meters to the Parking Fund

Please see Note 4 for more information.

Capital Improvement Fund

The Capital Improvement Fund serves to plan and manage the construction and maintenance of non-enterprise projects which are funded through dedicated revenue sources as well as General Fund surpluses which may arise from year to year. Along with its operating budget, the City adopts a five-year capital project plan on an annual basis in which City Council priorities are planned. The Capital Improvement Fund is one of the major funds covered in that City-wide plan.

At the end of fiscal year 2012, total fund balance of the Capital Improvement Fund was \$5,865,007. Of the total fund balance, \$809,436 includes non-spendable funds in the form of loans to other funds or outside parties for the City's Underground Loan Program, \$817,075 restricted for the debt service reserve and \$4,238,496 committed to capital projects (please see Note 8 to these financial statements).

A partial list of identified project commitments at year-end include:

- \$472,086 for the renovation of City facilities
- \$319,882 for the Strand stairs project
- \$300,000 for City Hall energy efficient lighting and ventilation
- \$108,015 for the City Yard fuel island cover
- \$50,000 for Sand Dune fencing
- \$43,017 for Begg Pool renovations

During Fiscal Year 2011-2012, the Capital Improvement Project Fund balance increased by \$252,517 (4.5%) due to a General Fund transfer of \$3 million.

Total revenues to the Capital Improvement Fund totaled \$1,343,956. Certain dedicated revenues described below amounted to \$1,277,855 in FY 2011-2012. These revenues are earmarked for funding general government capital improvement projects in the effort to maintain and enhance City infrastructure. A breakdown of these follows:

Hotel Tax: 15% of the Transient Occupancy Tax has been dedicated to funding CIP's. This has resulted in the generation of \$471,511 in revenue for the year. This is \$3,889 (.8%) below prior year levels.

Parking Meter Rates: A twenty-five cent per hour increment of on-street parking meter rates, dedicated to capital improvements, generated revenue of \$690,376 this fiscal year. This was up \$149,363 or 27.6% from the prior year levels.

Parking Citation Rates: Four dollars of most parking citations is dedicated to the CIP fund. For FY 2011-2012, revenue of \$115,968 was realized; an increase of \$6,028 (5.5%) from the prior year.

This fund realized \$66,101 in permits, interest and other revenue.

Capital Improvement Fund expenditures equaled \$4,091,439 which included:

- * \$3,145,041 for the renovation of City facilities
- * \$814,393 for Police & Fire facility debt service
- * \$97,812 for the Safe Routes to School project
- * \$27,208 for the Strand Stairs project
- * \$6,985 for the City Yard fuel island cover

Other Governmental Funds

Other non major governmental funds include all Special Revenue funds used exclusively to account for intergovernmental and assessment proceeds which are restricted in use by law. This group of funds includes the Street Lighting Fund, Gas Tax Fund, Federal and State Grants Fund, Propositions A and C Funds, Measure R Fund, Asset Forfeiture Fund, Police Safety Grant Fund, the Air Quality Management Fund and Underground Assessment Fund. The majority of the dollars which flow through these funds are used for the maintenance of streets, parks, local transportation programs and the purchase of safety and fuel efficient equipment.

The Street Lighting Fund, continues to run deficits each year. For FY 2011-2012, expenditures exceeded revenues by \$201,291. Because there is no fund balance to draw upon, the General Fund contributed \$201,291 to make up for the deficit in the Street Lighting Fund. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

Proprietary Funds

The City's proprietary funds consist of enterprise funds and internal service funds. The enterprise funds include Water, Wastewater, Refuse and Parking Funds (major funds), as well as Storm Water, and both the County and State Parking Lot Funds (which are considered non-major). Internal service funds include Insurance Reserve, Information Systems, Fleet Management and Building Maintenance and Operations.

Enterprise Funds

At year-end, total net assets of all enterprise funds amounted to \$47,970,080. \$17.9 million of the total is unrestricted. The remaining balance is invested in capital assets net of related debt (\$28.3 million), restricted for debt service (\$1.2 million) and restricted for business improvement district funds (\$.5 million).

Overall, enterprise funds combined net income was \$5,847,442 before transfers. Net assets increased for all funds by \$5,747,558. This includes an operating transfer out of \$151,784 from the County Parking Lots enterprise fund to the General Fund, and a \$51,900 transfer in from the General Fund to the Parking Fund.

Several enterprise funds are worth noting this year:

- The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility's operation and infrastructure. Net income from operations totaled \$4,119,271, an improvement from the prior year which had net operating income of \$1,359,368. Revenue from sales increased by 31%, while operating expenses (labor, materials, services, etc.) rose by 2.4%. During FY 2010, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds. The new rate structure became effective in January 2010 and provides for annual increases each January through 2014. The most recent increase in water rates, which became effective half way

through fiscal year, contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure, estimated at \$27.4 million over the next five years.

- The Waste Water fund net operating income for FY 2011-2012 was \$1,416,545 versus \$1,000,284 in FY 2010-2011 – a net increase of \$416,261, or 41.6%. Revenue from sales increased \$464,967 (17.8%) while operating expenses increased \$48,743 (3.0%). This improvement is primarily due to new waste water rates implemented along with the water rates in January 2012. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system.
- The Refuse Fund improved from the prior year when it realized a net operating loss of \$195,092. Net income from operations totaled \$172,864 in FY 2011-2012. Operating expenses decreased by \$193,856 (4.4%) while operating revenues rose by \$174,100 (4.2%). The implementation of a new refuse hauling contract in late fiscal year 2011 along with a new rate structure mitigated losses from the previous years.
- The Street Lighting Fund continues to run deficits each year. For FY 2011-2012, expenditures exceeded revenues by \$201,291. Because there is no fund balance to draw upon, the General Fund contributed the entire amount needed for continued operations. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.
- The Stormwater Fund continues its losses from prior years. The net operating loss in FY 2011-2012 totaled \$397,854, up from the FY 2010-2011 loss of \$61,179. The combination of fixed assessments and rising costs currently requires a General Fund subsidy of administrative overhead, and ultimately will require cash subsidies. Additionally, capital improvements due to legislative mandates will also result in increased costs. A Proposition 218 assessment vote will be necessary to properly fund operations going forward.

Internal Service Funds

Unrestricted net assets of the internal service funds at the end of the year amounted to \$4.5 million with net assets total of \$6.6 million. Total net assets decreased by \$964,722 (12.8%).

The Insurance Fund net assets declined by \$1,417,333 (from \$2.18 million to \$767,433) due to increased claims cost. FY 2011-2012 workers compensation and liability claims totaled \$4.96 million compared to \$3.59 million in FY 2010-11, \$1.69 million in FY 2009-10, \$2.98 million in FY 2008-09, and \$3.5 million in FY 2007-08. The unpredictable nature of workers compensation and liability causes these fluctuations in claims expense from year to year. The City continually looks for ways to proactively manage risk and reduce these costs.

Net assets in the Fleet Fund increased by \$537,565 due to a reinstatement of departmental fleet rental charge-outs (revenue) which had been temporarily suspended for budgetary purposes in the two prior years.

General Fund Budgetary Highlights

Estimated Revenues

Total revenues including the sale of capital assets totaled \$53,987,816, outperformed the final budget by \$2,402,196. Tax revenues exceeded budget by \$1,713,662. Charges for Services exceeded budget by \$483,425, while Licenses and Permits came in \$202,536 over estimates. Miscellaneous revenue came in \$327,836 above estimates. Fines and Forfeitures underperformed the final budget by \$234,909.

Appropriations

The final amended budget reflects a net increase of \$886,549 over the adopted appropriations.

Significant budget adjustments included:

- * \$1,678,145 for City facility improvements
- * \$228,000 for grant funded radios for the Fire department
- * \$210,962 for re-appropriations for open purchase orders from fiscal year 2010-2011
- * \$206,000 for Police grants
- * \$137,212 for an Energy Efficiency grant

Capital Asset and Debt Administration

Capital Assets: Government wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2012 is \$158,304,440. This is an increase from the prior year of \$1,658,046 or 1.1%. This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture and other equipment.

City of Manhattan Beach Capital Assets
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$34,072,066	\$34,072,066	\$1,757,434	\$1,757,434	\$35,829,500	\$35,829,500
Buildings	36,471,519	37,340,548	15,613,175	15,798,471	52,084,694	53,139,019
Machinery & Equipment	1,289,830	1,570,324	541,902	588,626	1,831,732	2,158,950
Vehicles	2,059,164	2,297,864	-	-	2,059,164	2,297,864
Infrastructure	34,420,515	35,293,689	23,028,930	23,609,402	57,449,445	58,903,091
Invested in Joint Venture (RCC)	1,943,302	2,009,415	-	-	1,943,302	2,009,415
Work in Progress	5,389,215	2,146,397	1,717,388	162,158	7,106,603	2,308,555
Total	\$115,645,611	\$114,730,303	\$42,658,829	\$41,916,091	\$158,304,440	\$156,646,394

Governmental

During Fiscal Year 2011-2012, governmental capital expenditures included:

- \$3,145,041 for the renovation of City facilities
- \$745,237 for street and sidewalk improvements
- \$97,812 for the Safe Routes to School project
- \$27,090 for the Strand Stairs project
- \$6,985 for the City Yard fuel island cover

Business Type

During the current fiscal year, Business Type capitalized expenditures totaled \$1,726,760. Major items were \$1,229,628 in water system improvements and \$497,055 in wastewater improvements. These were offset by scheduled depreciation, resulting in a net increase in assets of \$742,738.

Please refer to footnote 5 for additional information on the City's capital assets.

Long-Term Liabilities: Total long-term liabilities citywide (excluding unamortized bond premiums) equal \$49,865,597, an increase of \$138,936 from fiscal 2010-2011. Governmental liabilities increased by \$628,415 (1.8%) while business type liabilities decreased by \$489,479 (3.3%). The following table is a condensation of footnote 6.

City of Manhattan Beach Outstanding Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Marine Avenue COPs	\$7,480,000	\$7,715,000	-	-	\$7,480,000	\$7,715,000
Capital Equipment Lease	-	-	-	-	-	-
Police & Fire Facility COPs	11,450,000	11,725,000	-	-	11,450,000	11,725,000
Accrued Employee Leave & Benefits	2,486,555	2,533,972	59,747	\$109,226	2,546,302	2,643,198
Supplemental Leave	4,607	4,607	-	-	4,607	4,607
Water and Wastewater COPs	-	-	3,240,000	3,370,000	3,240,000	3,370,000
Metlox Parking COPs	-	-	11,125,000	11,435,000	11,125,000	11,435,000
Pension Obligation Bonds	2,870,000	3,795,000	-	-	2,870,000	3,795,000
So Bay Communications (RCC)	1,445,000	1,495,000	-	-	1,445,000	1,495,000
Insurance Claim Reserves	9,704,688	7,543,856	-	-	9,704,688	7,543,856
Total Liabilities	\$35,440,850	\$34,812,435	\$14,424,747	\$14,914,226	\$49,865,597	\$49,726,661
Current (due within one year)	8,695,673	6,915,605	475,144	464,573	9,170,817	7,380,178
Long Term Liabilities	\$26,745,177	\$27,896,830	\$13,949,603	\$14,449,653	\$40,694,780	\$42,346,483

Governmental

Principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules. The total decrease in debt was \$1,485,000. No new debt was issued in FY 2011-2012.

Business Type

Liabilities decreased as a result of the reduction in bond principal of \$440,000 (\$130,000 in Water/Waste Water bonds and \$310,000 in Metlox Public Improvement bonds). No new debt was issued in FY 2011-2012 (subsequent to the close of fiscal year 2011-12, Metlox, and Water and Wastewater Certificates of Participation were refunded).

For the details regarding components of long term liabilities refer to Note 6.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75% of its total assessed valuation. The current debt limitation for the City of Manhattan Beach is \$457,157,012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted the FY 2012-13 General Fund operating budget in June 2012. The original budget estimates General Fund revenues at \$53,098,918 and expenditures of \$52,994,257, resulting in a budgeted surplus of \$104,661.

The City's major General Fund revenue sources continue to improve after the lasting affects of the last recession. Property tax, the single biggest General Fund revenue source, which dramatically slowed with the housing market the past few years, is expected to increase in FY 2012-2013 by 2% to 3%. Sales tax is also projected to be up moderately from FY 2011-2012 due to an improved economy and retail sales environment. A pickup in building-related activity is expected to generate additional building permit and plan check revenues.

As a service organization, labor accounts for most of our costs - approximately 70% in the General Fund.

The previous long term labor agreements with the three bargaining units (Police, Fire and Miscellaneous) expired in December 2012. New labor agreements are expected to be in place in early 2013, providing predictability in labor costs through December 2015.

The City continues its focus on capital improvements. \$97.6 million (including carryover projects) has been allocated over the next five years for utility, street and facility projects. \$41.7 million of that amount is for water, wastewater, stormwater and other utility projects. An additional \$38.7 million has been budgeted for street and roadway needs, and \$17.2 for general facilities (including parking facilities). These projects will ensure continued functionality of vital systems, traffic flow and community facilities.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the City of Manhattan Beach for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1400 Highland Avenue, Manhattan Beach, CA 90266.



Government-Wide Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 47,492,399	\$ 19,655,842	\$ 67,148,241
Receivables:			
Accounts	596,672	1,583,638	2,180,310
Taxes	3,960,931	-	3,960,931
Accrued interest	241,578	-	241,578
Internal balances	771,100	(771,100)	-
Prepaid costs	80,544	-	80,544
Due from other governments	712,923	-	712,923
Inventories	110,130	114,386	224,516
Total Current Assets	53,966,277	20,582,766	74,549,043
Restricted assets:			
Cash with fiscal agent	2,791,004	1,476,204	4,267,208
Notes and loans receivable	470,336	-	470,336
Prepaid other post-employment benefits	3,167,137	204,509	3,371,646
Unamortized debt issuance costs	258,458	242,822	501,280
Capital assets not being depreciated	39,461,281	3,474,822	42,936,103
Capital assets, net of depreciation	76,184,330	39,184,007	115,368,337
Total Noncurrent Assets	122,332,546	44,582,364	166,914,910
Total Assets	176,298,823	65,165,130	241,463,953
Liabilities:			
Accounts payable	2,853,740	2,334,928	5,188,668
Accrued liabilities	1,843,263	-	1,843,263
Accrued interest	337,933	328,205	666,138
Unearned revenue	695,445	-	695,445
Deposits payable	790,250	107,170	897,420
Long-term liabilities due within one year	8,695,673	475,144	9,170,817
Total Current Liabilities	15,216,304	3,245,447	18,461,751
Noncurrent liabilities:			
Long-term liabilities due in more than one year	26,877,947	13,949,603	40,827,550
Total Liabilities	42,094,251	17,195,050	59,289,301
Net Assets:			
Invested in capital assets, net of related debt	93,795,301	28,293,829	122,089,130
Restricted for:			
Public safety	1,187,562	-	1,187,562
Parks and recreation	107,428	-	107,428
Public works	7,827,965	-	7,827,965
Debt service	2,062,187	1,210,125	3,272,312
Business improvement districts	-	523,928	523,928
Unrestricted	29,224,129	17,942,198	47,166,327
Total Net Assets	\$ 134,204,572	\$ 47,970,080	\$ 182,174,652

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 9,489,937	\$ 4,223,405	\$ 13,949	\$ -
Public safety	32,190,597	4,783,038	523,071	-
Culture and recreation	5,761,135	2,805,841	612,808	-
Public works	8,369,506	4,134,599	33,275	2,554,310
Interest on long-term debt	820,494	-	-	-
Total Governmental Activities	56,631,669	15,946,883	1,183,103	2,554,310
Business-Type Activities:				
Water	8,523,452	12,578,908	-	-
Stormwater	752,257	352,860	-	-
Wastewater	1,740,453	3,087,150	-	-
Refuse	4,205,443	4,363,739	33,209	-
Parking	1,797,227	2,319,902	-	-
County Parking Lot	418,526	569,694	-	-
State Pier and Parking Lot	672,516	507,153	-	-
Total Business-Type Activities	18,109,874	23,779,406	33,209	-
Total Primary Government	\$ 74,741,543	\$ 39,726,289	\$ 1,216,312	\$ 2,554,310

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Intergovernmental, unrestricted:

Motor vehicle in lieu

Homeowner property tax

Investment earnings and rent

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,252,583)	\$ -	\$ (5,252,583)
(26,884,488)	-	(26,884,488)
(2,342,486)	-	(2,342,486)
(1,647,322)	-	(1,647,322)
(820,494)	-	(820,494)
(36,947,373)	-	(36,947,373)
-	4,055,456	4,055,456
-	(399,397)	(399,397)
-	1,346,697	1,346,697
-	191,505	191,505
-	522,675	522,675
-	151,168	151,168
-	(165,363)	(165,363)
-	5,702,741	5,702,741
(36,947,373)	5,702,741	(31,244,632)
20,408,314	-	20,408,314
3,240,364	-	3,240,364
8,788,599	-	8,788,599
1,335,815	-	1,335,815
3,018,177	-	3,018,177
521,274	-	521,274
95,915	-	95,915
151,219	-	151,219
2,690,982	144,701	2,835,683
99,884	(99,884)	-
40,350,543	44,817	40,395,360
3,403,170	5,747,558	9,150,728
134,788,251	42,222,522	177,010,773
(3,986,849)	-	(3,986,849)
\$ 134,204,572	\$ 47,970,080	\$ 182,174,652

See Notes to Financial Statements





Fund Financial Statements

CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Capital Projects Funds Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled cash and investments	\$ 18,724,690	\$ 5,274,450	\$ 9,334,548	\$ 33,333,688
Receivables:				
Accounts	568,560	-	28,112	596,672
Taxes	3,913,678	47,253	-	3,960,931
Notes and loans	432,000	38,336	-	470,336
Accrued interest	241,578	-	-	241,578
Prepaid costs	48,989	-	-	48,989
Due from other governments	411,508	99,808	201,607	712,923
Due from other funds	22,488	-	-	22,488
Advances to other funds	-	771,100	-	771,100
Restricted assets:				
Cash and investments with fiscal agents	1,317,020	1,083,100	390,884	2,791,004
Total Assets	\$ 25,680,511	\$ 7,314,047	\$ 9,955,151	\$ 42,949,709
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,322,852	\$ 1,083,207	\$ 222,928	\$ 2,628,987
Accrued liabilities	1,843,263	-	-	1,843,263
Deferred revenues	1,097,941	99,808	22,488	1,220,237
Unearned revenues	695,445	-	-	695,445
Deposits payable	788,509	-	1,741	790,250
Due to other funds	-	-	22,488	22,488
Interest payable	71,908	266,025	-	337,933
Total Liabilities	5,819,918	1,449,040	269,645	7,538,603
Fund Balances:				
Nonspendable:				
Prepaid costs	48,989	-	-	48,989
Notes and loans	432,000	38,336	-	470,336
Advances to other funds	-	771,100	-	771,100
Restricted for:				
Public safety	-	-	1,187,562	1,187,562
Parks and recreation	-	-	107,428	107,428
Public works	-	-	4,558,434	4,558,434
Capital projects	-	-	3,269,531	3,269,531
Debt service	1,245,112	817,075	-	2,062,187
Committed to:				
Capital projects	-	4,238,496	585,039	4,823,535
Unassigned	18,134,492	-	(22,488)	18,112,004
Total Fund Balances	19,860,593	5,865,007	9,685,506	35,411,106
Total Liabilities and Fund Balances	\$ 25,680,511	\$ 7,314,047	\$ 9,955,151	\$ 42,949,709

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund balances of governmental funds	\$ 35,411,106
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	113,586,447
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(25,610,474)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	1,220,237
Prepaid other post-retirement benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements.	3,033,972
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>6,563,284</u>
Net assets of governmental activities	<u><u>\$ 134,204,572</u></u>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>Capital Improvement</u>		
Revenues:				
Taxes and assessments	\$ 37,073,856	\$ 471,511	\$ 1,843,874	\$ 39,389,241
Licenses and permits	1,414,596	3,634	-	1,418,230
Intergovernmental	714,958	-	1,851,520	2,566,478
Charges for services	9,004,918	690,376	10,995	9,706,289
Use of money and property	2,541,577	61,374	89,625	2,692,576
Fines and forfeitures	2,689,591	115,968	-	2,805,559
Miscellaneous	547,886	1,093	308,231	857,210
Total Revenues	53,987,382	1,343,956	4,104,245	59,435,583
Expenditures:				
Current:				
General government	8,560,273	-	-	8,560,273
Public safety	30,200,703	-	248,857	30,449,560
Culture and recreation	4,915,772	-	636,860	5,552,632
Public works	5,762,589	-	606,503	6,369,092
Capital outlay	-	3,277,046	995,450	4,272,496
Debt service:				
Principal retirement	1,210,000	275,000	-	1,485,000
Interest	281,101	539,393	-	820,494
Total Expenditures	50,930,438	4,091,439	2,487,670	57,509,547
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,056,944	(2,747,483)	1,616,575	1,926,036
Other Financing Sources (Uses):				
Transfers in	151,784	3,000,000	201,291	3,353,075
Transfers out	(3,253,191)	-	-	(3,253,191)
Proceeds from sale of capital asset	434	-	-	434
Total Other Financing Sources (Uses)	(3,100,973)	3,000,000	201,291	100,318
Net Change in Fund Balances	(44,029)	252,517	1,817,866	2,026,354
Fund Balances, Beginning of Year	19,904,622	5,612,490	7,867,640	33,384,752
Fund Balances, End of Year	\$ 19,860,593	\$ 5,865,007	\$ 9,685,506	\$ 35,411,106

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ 2,026,354

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	\$ 4,187,724	
Depreciation expense	(3,016,391)	
Loss on disposal of capital assets	<u>(17,325)</u>	1,154,008

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,485,000

Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized on the statement of net assets. (25,419)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 47,417

Certain revenues are reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity. 172,732

Amortization of long-term assets is reported only at the government-wide level:

Prepaid other post-employment benefits	(492,200)
--	-----------

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. (964,722)

Change in net assets of governmental activities \$ 3,403,170

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,904,622	\$ 19,904,622	\$ 19,904,622	\$ -
Resources (Inflows):				
Taxes and assessments	35,360,194	35,360,194	37,073,856	1,713,662
Licenses and permits	1,212,060	1,212,060	1,414,596	202,536
Intergovernmental	291,359	706,571	714,958	8,387
Charges for services	8,521,493	8,521,493	9,004,918	483,425
Use of money and property	2,639,952	2,639,952	2,541,577	(98,375)
Fines and forfeitures	2,924,500	2,924,500	2,689,591	(234,909)
Miscellaneous	220,050	220,050	547,886	327,836
Transfers in	73,159	73,159	151,784	78,625
Proceeds from sale of capital asset	800	800	434	(366)
Amounts Available for Appropriation	71,148,189	71,563,401	74,044,222	2,480,821
Charges to Appropriation (Outflow):				
General government	8,498,108	8,737,120	8,560,273	176,847
Public safety	29,204,613	29,566,854	30,200,703	(633,849)
Culture and recreation	5,423,628	5,468,286	4,915,772	552,514
Public works	5,737,896	5,978,534	5,762,589	215,945
Debt service:				
Principal retirement	1,210,000	1,210,000	1,210,000	-
Interest and fiscal charges	583,250	583,250	281,101	302,149
Transfers out	3,186,587	3,186,587	3,253,191	(66,604)
Total Charges to Appropriations	53,844,082	54,730,631	54,183,629	547,002
Budgetary Fund Balance, June 30	\$ 17,304,107	\$ 16,832,770	\$ 19,860,593	\$ 3,027,823

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Refuse	Parking
Assets:				
Current:				
Cash and investments	\$ 9,114,972	\$ 3,044,376	\$ 787,064	\$ 2,764,434
Receivables:				
Accounts	996,721	236,215	332,792	1,950
Prepaid costs	-	-	-	-
Inventories	114,386	-	-	-
Total Current Assets	10,226,079	3,280,591	1,119,856	2,766,384
Noncurrent:				
Prepaid other post-employment benefits	130,790	30,913	14,269	11,414
Restricted:				
Cash with fiscal agent	226,963	111,662	-	1,137,579
Unamortized debt issuance costs	46,806	23,021	-	172,995
Capital assets - net of accumulated depreciation	15,829,730	5,732,425	-	17,596,894
Total Noncurrent Assets	16,234,289	5,898,021	14,269	18,918,882
Total Assets	\$ 26,460,368	\$ 9,178,612	\$ 1,134,125	\$ 21,685,266
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 1,063,957	\$ 346,975	\$ 336,705	\$ 67,189
Accrued interest	41,637	20,489	-	266,079
Deposits payable	2,335	-	-	104,835
Workers' compensation claims	-	-	-	-
Accrued compensated absences	15,144	-	-	-
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	90,491	44,509	-	325,000
Total Current Liabilities	1,213,564	411,973	336,705	763,103
Noncurrent:				
Advances from other funds	-	-	-	771,100
Accrued leave long-term	44,603	-	-	-
Workers' compensation claims	-	-	-	-
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	2,081,116	1,023,884	-	10,800,000
Total Noncurrent Liabilities	2,125,719	1,023,884	-	11,571,100
Total Liabilities	3,339,283	1,435,857	336,705	12,334,203
Net Assets:				
Invested in capital assets, net of related debt	13,658,123	4,664,032	-	6,471,894
Restricted for debt service	226,963	111,662	-	871,500
Restricted for business improvement district	-	-	-	523,928
Unrestricted	9,235,999	2,967,061	797,420	1,483,741
Total Net Assets	23,121,085	7,742,755	797,420	9,351,063
Total Liabilities and Net Assets	\$ 26,460,368	\$ 9,178,612	\$ 1,134,125	\$ 21,685,266

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Assets:			
Current:			
Cash and investments	\$ 3,944,996	\$ 19,655,842	\$ 14,158,711
Receivables:			
Accounts	15,960	1,583,638	-
Prepaid costs	-	-	31,555
Inventories	-	114,386	110,130
Total Current Assets	3,960,956	21,353,866	14,300,396
Noncurrent:			
Prepaid other post-employment benefits	17,123	204,509	133,165
Restricted:			
Cash with fiscal agent	-	1,476,204	-
Unamortized debt issuance costs	-	242,822	-
Capital assets - net of accumulated depreciation	3,499,780	42,658,829	2,059,164
Total Noncurrent Assets	3,516,903	44,582,364	2,192,329
Total Assets	\$ 7,477,859	\$ 65,936,230	\$ 16,492,725
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 520,102	\$ 2,334,928	\$ 224,753
Accrued interest	-	328,205	-
Deposits payable	-	107,170	-
Workers' compensation claims	-	-	5,192,248
Accrued compensated absences	-	15,144	-
Accrued claims and judgments	-	-	1,382,276
Bonds, notes, and capital leases	-	460,000	-
Total Current Liabilities	520,102	3,245,447	6,799,277
Noncurrent:			
Advances from other funds	-	771,100	-
Accrued leave long-term	-	44,603	-
Workers' compensation claims	-	-	2,167,021
Accrued claims and judgments	-	-	963,143
Bonds, notes, and capital leases	-	13,905,000	-
Total Noncurrent Liabilities	-	14,720,703	3,130,164
Total Liabilities	520,102	17,966,150	9,929,441
Net Assets:			
Invested in capital assets, net of related debt	3,499,780	28,293,829	2,059,164
Restricted for debt service	-	1,210,125	-
Restricted for business improvement district	-	523,928	-
Unrestricted	3,457,977	17,942,198	4,504,120
Total Net Assets	6,957,757	47,970,080	6,563,284
Total Liabilities and Net Assets	\$ 7,477,859	\$ 65,936,230	\$ 16,492,725

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Refuse	Parking
Operating Revenues:				
Sales and service charges	\$ 12,486,725	\$ 3,069,913	\$ 4,363,739	\$ 2,298,077
Miscellaneous	-	15,760	-	4,480
Total Operating Revenues	12,486,725	3,085,673	4,363,739	2,302,557
Operating Expenses:				
Administration and general	785,964	218,535	121,781	41,257
Employee benefits	287,641	72,903	46,732	20,520
Contract and professional services	3,988,111	144,707	3,593,234	356,574
Materials and services	1,158,552	230,153	69,691	310,048
Utilities	364,645	23,224	325	85,565
Administrative service charges	1,349,184	808,128	359,112	174,360
Leases and rents	-	-	-	-
Claims expense	-	-	-	-
Depreciation expense	433,357	171,478	-	232,020
Total Operating Expenses	8,367,454	1,669,128	4,190,875	1,220,344
Operating Income (Loss)	4,119,271	1,416,545	172,864	1,082,213
Nonoperating Revenues (Expenses):				
Intergovernmental	-	-	33,209	-
Interest revenue	62,875	22,648	5,454	24,394
Interest expense	(125,736)	(61,860)	-	(538,359)
Bond administrative fees	(4,365)	(2,148)	-	(2,750)
Bond amortization	(4,679)	(2,302)	-	(11,471)
Miscellaneous	68,022	1,477	(12,253)	17,345
OPEB amortization	(21,218)	(5,015)	(2,315)	(1,852)
Interest on interfund loan	-	-	-	(22,451)
Gain (loss) on disposal of capital assets	24,161	-	-	-
Total Nonoperating Revenues (Expenses)	(940)	(47,200)	24,095	(535,144)
Income (Loss) Before Transfers	4,118,331	1,369,345	196,959	547,069
Transfers in	-	-	-	51,900
Transfers out	-	-	-	-
Changes in Net Assets	4,118,331	1,369,345	196,959	598,969
Net Assets:				
Beginning of Year	19,002,754	6,373,410	600,461	8,752,094
End of Fiscal Year	\$ 23,121,085	\$ 7,742,755	\$ 797,420	\$ 9,351,063

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Operating Revenues:			
Sales and service charges	\$ 1,422,207	\$ 23,640,661	\$ 8,752,283
Miscellaneous	7,500	27,740	210,490
Total Operating Revenues	1,429,707	23,668,401	8,962,773
Operating Expenses:			
Administration and general	96,206	1,263,743	1,113,088
Employee benefits	39,474	467,270	529,112
Contract and professional services	318,093	8,400,719	828,978
Materials and services	732,603	2,501,047	1,794,773
Utilities	57,411	531,170	104,921
Administrative service charges	136,236	2,827,020	-
Leases and rents	313,332	313,332	-
Claims expense	-	-	4,960,809
Depreciation expense	147,167	984,022	577,852
Total Operating Expenses	1,840,522	17,288,323	9,909,533
Operating Income (Loss)	(410,815)	6,380,078	(946,760)
Nonoperating Revenues (Expenses):			
Intergovernmental	-	33,209	-
Interest revenue	29,330	144,701	-
Interest expense	-	(725,955)	-
Bond administrative fees	-	(9,263)	-
Bond amortization	-	(18,452)	-
Miscellaneous	-	74,591	-
OPEB amortization	(2,777)	(33,177)	(21,602)
Interest on interfund loan	-	(22,451)	-
Gain (loss) on disposal of capital assets	-	24,161	3,640
Total Nonoperating Revenues (Expenses)	26,553	(532,636)	(17,962)
Income (Loss) Before Transfers	(384,262)	5,847,442	(964,722)
Transfers in	-	51,900	-
Transfers out	(151,784)	(151,784)	-
Changes in Net Assets	(536,046)	5,747,558	(964,722)
Net Assets:			
Beginning of Year	7,493,803	42,222,522	7,528,006
End of Fiscal Year	\$ 6,957,757	\$ 47,970,080	\$ 6,563,284

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	<u>Water</u>	<u>Wastewater</u>	<u>Refuse</u>	<u>Parking</u>
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 12,285,889	\$ 3,089,945	\$ 4,382,862	\$ 2,211,791
Cash received from/(paid to) interfund service provided	(1,899,656)	(1,021,851)	(420,075)	(208,314)
Cash paid to suppliers for goods and services	(4,736,354)	(205,420)	(3,618,660)	(605,931)
Cash paid to employees for services	(976,110)	(270,689)	(156,707)	(54,455)
Net Cash Provided (Used) by Operating Activities	4,673,769	1,591,985	187,420	1,343,091
Cash Flows from Non-Capital Financing Activities:				
Financing Activities:				
Cash transfers out	-	-	-	(250,000)
Other nonoperating income	68,022	-	-	17,345
Miscellaneous grants	-	-	33,209	-
Interest on interfund loan	-	-	-	(22,451)
Bad debt write off	-	-	(12,253)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	68,022	-	20,956	(255,106)
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(1,229,628)	(242,999)	-	-
Principal paid on capital debt	(87,132)	(42,867)	-	(310,000)
Interest paid on capital debt	(127,370)	(62,664)	-	(544,560)
Cash from sale of assets	24,161	1,476	-	-
Bond administration fee	(4,365)	(2,148)	-	(2,750)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,424,334)	(349,202)	-	(857,310)
Cash Flows from Investing Activities:				
Interest received	62,875	22,648	5,454	24,394
Net Cash Provided (Used) by Investing Activities	62,875	22,648	5,454	24,394
Net Increase (Decrease) in Cash and Cash Equivalents	3,380,332	1,265,431	213,830	255,069
Cash and Cash Equivalents at Beginning of Year	5,961,603	1,890,607	573,234	3,646,944
Cash and Cash Equivalents at End of Year	\$ 9,341,935	\$ 3,156,038	\$ 787,064	\$ 3,902,013
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 4,119,271	\$ 1,416,545	\$ 172,864	\$ 1,082,213
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	433,357	171,478	-	232,020
(Increase) decrease in accounts receivable	(400,379)	(48,729)	11,527	(975)
(Increase) decrease in inventory	(4,661)	-	-	-
(Increase) decrease in prepaid expense	5,392	-	-	-
Increase (decrease) in accounts payable	570,248	52,691	3,029	30,063
Increase (decrease) in deposits payable	20	-	-	(230)
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in compensated absences	(49,479)	-	-	-
Total Adjustments	554,498	175,440	14,556	260,878
Net Cash Provided (Used) by Operating Activities	\$ 4,673,769	\$ 1,591,985	\$ 187,420	\$ 1,343,091

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		
	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,426,816	\$ 23,397,303	\$ 211,185
Cash received from/(paid to) interfund service provided	(578,472)	(4,128,368)	7,712,687
Cash paid to suppliers for goods and services	(693,121)	(9,859,486)	(4,667,137)
Cash paid to employees for services	(124,472)	(1,582,433)	(1,367,359)
Net Cash Provided (Used) by Operating Activities	30,751	7,827,016	1,889,376
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(151,784)	(401,784)	-
Other nonoperating income	-	85,367	-
Miscellaneous grants	-	33,209	-
Interest on interfund loan	-	(22,451)	-
Bad debt write off	-	(12,253)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(151,784)	(317,912)	-
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(77)	(1,472,704)	(339,152)
Principal paid on capital debt	-	(439,999)	-
Interest paid on capital debt	-	(734,594)	-
Cash from sale of assets	-	25,637	3,640
Bond administration fee	-	(9,263)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(77)	(2,630,923)	(335,512)
Cash Flows from Investing Activities:			
Interest received	29,330	144,701	-
Net Cash Provided (Used) by Investing Activities	29,330	144,701	-
Net Increase (Decrease) in Cash and Cash Equivalents	(91,780)	5,022,882	1,553,864
Cash and Cash Equivalents at Beginning of Year	4,036,776	16,109,164	12,604,847
Cash and Cash Equivalents at End of Year	\$ 3,944,996	\$ 21,132,046	\$ 14,158,711
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (410,815)	\$ 6,380,078	\$ (946,760)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	147,167	984,022	577,852
(Increase) decrease in accounts receivable	9	(438,547)	-
(Increase) decrease in inventory	-	(4,661)	(8,819)
(Increase) decrease in prepaid expense	-	5,392	-
Increase (decrease) in accounts payable	294,390	950,421	106,271
Increase (decrease) in deposits payable	-	(210)	-
Increase (decrease) in claims and judgments	-	-	2,160,832
Increase (decrease) in compensated absences	-	(49,479)	-
Total Adjustments	441,566	1,446,938	2,836,136
Net Cash Provided (Used) by Operating Activities	\$ 30,751	\$ 7,827,016	\$ 1,889,376

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
Assets:		
Pooled cash and investments	\$ 1,200,969	\$ 373,943
Receivables:		
Accounts	50,892	113,050
Restricted assets:		
Cash and investments with fiscal agents	<u>3,018,674</u>	<u>-</u>
Total Assets	<u>\$ 4,270,535</u>	<u>486,993</u>
Liabilities:		
Accounts payable	\$ 11,637	-
401(a) plan deposits	2,045,723	-
Deposits payable	66,552	-
Due to other governments	394,797	-
Due to bondholders	<u>1,751,826</u>	<u>-</u>
Total Liabilities	<u>\$ 4,270,535</u>	<u>-</u>
Net Assets:		
Held in trust for pension benefits		<u>486,993</u>
Total Net Assets		<u>\$ 486,993</u>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Pension Trust Fund</u>
Additions	
Refunds of contributions	\$ 113,050
Investment earnings	20,077
Total Additions	<u>133,127</u>
Deductions	
Benefits	180,343
Total Deductions	<u>180,343</u>
Changes in Net Assets	(47,216)
Net Assets - Beginning of the Year	534,209
Net Assets - End of the Year	<u><u>\$ 486,993</u></u>



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Notes to Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Manhattan Beach, California (the City), was incorporated on December 12, 1912, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. It is governed by an elected five-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Manhattan Beach (the primary government) and its component unit, the Manhattan Beach Capital Improvements Corporation. The component unit is included in the reporting entity because of the significance of its operational or financial relationships with the City of Manhattan Beach. It is governed by the City Council of the City of Manhattan Beach and its activities exclusively benefit the City, therefore it is presented as a blended component unit. Separate financial statements are not prepared for the Manhattan Beach Capital Improvements Corporation.

Blended Component Unit

Manhattan Beach Capital Improvements Corporation - The Manhattan Beach Capital Improvements Corporation (the Corporation) is a nonprofit public benefits corporation, organized under the laws of the State of California in September 1996, pursuant to the Nonprofit Public Benefit Corporation Laws (Title I, Division 2, Part 2, Section 5110). The sole purpose of the Corporation is to issue debt for capital improvements. Certificates of participation are debt issued by the Corporation providing the holder an interest, i.e. the right to participate in the lease payments paid by the City to the Corporation. In September of 1996, this entity issued \$4,615,000 of debt in the form of Certificates of Participation to fund specific projects related to the City's water and wastewater infrastructure. This debt is accounted for in the proprietary fund types within the Water and Wastewater Funds. In April of 2002, this entity also issued \$9,535,000 of debt to pay the cost of refinancing existing ground lease commitments with the Beach Cities' Health District for the newly constructed Marine Avenue Sports Fields. This debt was structured as a variable rate demand Certificate of Participation. In January 2003, this entity issued \$13,350,000 of fixed rate Certificates of Participation for the construction of a two-level downtown subterranean parking structure and outdoor plaza. This endeavor is commonly known as the Metlox Public Improvement project. The parking lot portion of the project was completed in January 2004, and the public plaza portion of the project was completed in November 2005. In November 2004, this entity issued fixed rate Certificates of Participation in the amount of \$12,980,000 to contribute toward the full funding of the construction of a new Police and Fire facility and adjoining City Hall plaza. This major project was completed in December 2007. Capital construction costs for the project were \$38,404,048. There are no separately issued financial statements for this entity.

b. Accounting and Reporting Policies

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

c. Description of Funds

The accounts of the City are organized and operated on the basis of funds, each of which is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

In accordance with the City's municipal code and budget, several different types of funds are used to record the City's financial transactions. For financial reporting purposes, such funds have been categorized and are presented as follows:

Governmental Fund Types

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

Capital Projects Funds - to account for financial resources segregated for the acquisition or construction of major capital facilities, other than those financed by Enterprise or Internal Service Funds. In recent years the Underground Assessment District Fund was added to this category.

Proprietary Fund Types

Enterprise Funds - to account for operations where it is the stated intent that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where determination of net income is deemed appropriate.

Internal Service Funds - to account for insurance reserve, information systems, building maintenance and operations and fleet management services provided to the departments of the City on a continuing basis, which are financed or recovered primarily by charges to the user departments.

Fiduciary Fund Types

Pension Trust Funds - to account for resources that are required to be held in trust for the members and beneficiaries of supplemental retirement plans, single highest year plans, and post retirement health plans for firefighters and for police.

Agency Funds:

- Special Assessment Redemption Fund – to account for special assessment collections for debt service for the underground assessment bonds that the City remits to the fiscal agent.
- Special Deposits Fund – to account for 401(a) plan deposits, utility development deposits, art development fees and other miscellaneous items.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

d. Basis of Accounting/Measurement Funds

Government-Wide Financial Statements

The City government-wide financial statements include a Statement of Net Assets and Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the City. Interfund services provided and used are not eliminated in the process of consolidation. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the benefit is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Government-wide financial statements do not provide information by fund; they simply distinguish between governmental and business activities. The City's Statement of Net Assets includes both current and noncurrent assets and liabilities. In prior years, the noncurrent assets and liabilities were recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, which are no longer reported.

Financial Statement Classification

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of capital assets reduce this category.

Restricted Net Assets

This category presents restrictions imposed by creditors, grantors, contributions or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Unrestricted Net Assets

This category represents the net assets of the City, not restricted for any project or other purpose.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances for all major governmental funds and aggregated nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the qualifications of GASB Statement No. 34.

All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the governmental fund balance sheet. Related operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental funds as the basis for recognizing revenues. Under the modified accrual basis of accounting, revenues are susceptible to accrual and consequently recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be readily determined, and "available" means that the transaction amount is collectible within the current period or soon thereafter (generally 60 days after year-end) to be used to pay liabilities of the current period. Revenues considered susceptible to accrual include property and sales taxes collected after year-end, earned and uncollected investment interest income, uncollected rents and leases and unbilled service receivables. Revenues from such items as license and permit fees, fines and forfeitures and general service charges are not susceptible to accrual because they are generally not measurable until received in cash.

The government reports unearned revenue on its balance sheet. Grant monies received before the City has a legal claim to them, such as grant funds received prior to incurring qualified expenses, are recorded as deferred revenue liabilities. In subsequent periods, the deferred revenue is removed once revenue recognition criteria are met and the City has established legal claim to the resources.

Governmental fund expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when they are due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Proprietary Funds Financial Statements

Proprietary funds financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows. All proprietary fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. With this measurement focus, all assets and liabilities (current and long-term) resulting from the operations of these funds are included in the Statement of Net Assets. Accordingly, the proprietary fund Statement of Net Assets presents assets and liabilities classified into their respective current and long-term categories.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All proprietary funds are accounted for using the flow of economic resources and accrual basis of accounting. Their revenues are recognized when they are earned and become measurable; expenses are recognized when they are incurred. Unbilled service receivables are recorded as accounts receivable and as revenue when earned.

There is no look-back adjustment on the statement of fund net assets and the statement of revenues, expenses and changes in fund net assets for the enterprise funds' participation in the internal services funds because these transactions are paid in cash, therefore there is no internal balance related to what can be considered a quasi-external transaction.

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support City programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

Major Funds

Governmental Accounting Standards Board Statement 34 (GASB 34) requires the governmental agency to report all major funds in the basic financial statements. In accordance with GASB 34, the following funds are classified as major governmental funds:

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The General Fund is used to account for all unrestricted resources except those required to be accounted for in another fund. This fund accounts for general citywide operations.

The Capital Improvement Capital Projects Fund accounts for financial resources segregated for the acquisition or construction of major capital facilities, other than those financed by Enterprise, Internal Service Funds or other project specific funds.

The following funds are classified as major proprietary funds:

Water Fund is used to account for the operation of the City's water utility system. Revenues are generated from user fees, which are adjusted periodically to meet the costs of administration, operation, maintenance and capital improvements to the system. In fiscal year 1997, the City completed a comprehensive utility fee study and issued certificates of participation for the purpose of upgrading the City's water and wastewater systems.

Wastewater Fund is used to account for the maintenance and improvements of the City's sewer system. Revenues are derived from a user charge placed on the water bills. In fiscal year 1997, the City completed a comprehensive utility fee study and issued certificates of participation for the purpose of upgrading the City's water and wastewater system.

Refuse Fund is used to account for the provision of refuse collection, street sweeping and recycling services in the City. The City bills both residential and commercial properties.

Parking Fund is used to account for the general operations and maintenance of City parking lots and spaces. Revenues are generated from the use of these properties.

e. Property Tax Calculator

Property tax revenue is recognized on the basis of GASB Code Section P70, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period.

The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 AM on the first day in January prior to the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, by December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

f. Capital Assets

Capital assets, which include land, machinery and equipment, buildings and improvements, and infrastructure (roads, bridges, curbs and gutters, streets, walk-streets and sidewalks, parks and recreation improvements), are reported in the Governmental Activities column of the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than a certain cost and an estimated life of more than two years. Minimum capitalization costs are as follows: capital infrastructure assets, including buildings, improvements and infrastructure, \$100,000; general capital assets, including machinery and equipment, \$5,000. Such assets are recorded at historical cost and capitalized as acquired and/or constructed.

In 1995-1996, the City obtained an independent appraisal of all City owned land parcels and enterprise capital assets infrastructure related to its Water, Wastewater and Parking Funds. The appraisal was done to assure compliance with accounting standards and involved the estimation of historical costs for a variety of enterprise facilities.

In 2002-2003, the City contracted with an independent firm to obtain a valuation of its capital assets. This was done to specifically comply with the reporting requirements of GASB Statement No. 34. For purposes of this study, capital assets were defined to include land, buildings and improvements, City owned utilities, streets and roadways, and parks and recreation facilities and improvements. This significant valuation project entailed many steps covering several months of work. Key steps to the project included: obtaining an inventory of all material City owned assets, establishing acquisition dates, deriving historical costs, developing and recommending useful lives, and constructing a basis for depreciation in arriving at a June 30, 2006, net book value. The completion of this valuation, along with the other reporting requirements of GASB Statement No. 34, presented a material change in accounting principle and the value of capital assets reported in the prior fiscal year.

Capital assets are reported net of accumulated depreciation on the Statement of Net Assets. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset</u>	<u>Years</u>
Equipment	5 - 20
Vehicles	3 - 20
Buildings/Improvements	40- 100
Water and Sewer Systems	30 - 50
Other Infrastructure	15 -100

Gifts or contributions of capital assets are recorded at fair market value when received.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on the invested proceeds over the same period.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

g. Other Accounting Policies

Cash and Cash Equivalents - For purpose of the Statement of Cash Flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds in its 401(a) plan; 125 medical flex plan; outstanding Water and Wastewater; Marine Avenue Sports Field; and Metlox, Police & Fire Facility bonded debt, which are held by outside trustees. City employees individually direct their investments in the 401(a) plan. Investments - Investments are shown at fair value, in accordance with GASB Statement No. 31. Fair value is based upon quoted market prices.

Inventories - Inventories of materials and supplies are carried at cost on a weighted-average basis. The City uses the consumption method of accounting for inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

h. Interfund Transfers

As a general rule, interfund transactions have been eliminated from the government-wide financial statements. Exceptions to this rule are payments in lieu or charges for current service between the City's enterprise activity and the City's General Fund. Elimination of these transactions would distort the direct costs and program revenues for the various functions. Certain eliminations have been made regarding interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental, business-type, and Trust & Agency activities have not been eliminated.

i. Long-Term Obligations

In the government-wide and proprietary funds financial statements, long-term obligations are recorded as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt for all issues using the bonds outstanding method.

In the governmental fund financial statements, bond discounts and premiums are recognized as other financing sources or uses. Issuance costs are recorded as a current year expenditure.

The City has recorded all judgment and claim liabilities resulting from workers' compensation and liability insurance claims in the Insurance Reserve Fund, which is a component of the Internal Service Funds Group.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The recorded liability is based upon an estimate of reported claims as provided by an analysis of a third party administrator. Reported short-term and long-term estimated losses and reserves of \$6,574,524 and \$3,130,164 respectively, are recorded in the Insurance Reserve Fund.

Only the short-term liability is reflected as a current liability in all applicable governmental fund types; the remainder of the liability is reported as long-term debt in the Statement of Net Assets.

j. Vacation and Sick Leave

The City's policy is to record the cost of vested vacation and sick leave as it is earned. Vacation is payable to employees at the time a vacation is taken or upon termination of employment. At termination, employees are eligible to convert 50% of unused sick time to service credit; however, sworn fire safety personnel, upon service retirement, may opt to cash out 50% of the value of unused sick leave.

Miscellaneous and sworn police employees may accrue compensated time off in lieu of payment for overtime hours. Overtime hours are banked at either time-and-a-half or straight-time hours depending upon the nature of the overtime worked. The dollar value of these hours is included as an employee benefits liability as shown in the balance sheet.

k. Supplemental Leave Allowance

In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2012, the total accrued liability for this benefit amounted to \$4,607, based on accumulated hours for months in service during the time period from January 1, 1990 to December 4, 1994, as specified in the parameters of the plan. Upon termination, the employee will be paid for any unused leave and as such the total amount of the liability is accrued as a long-term item (see Note 6).

This balance decreased from prior year levels reflecting cash payouts to benefiting employees to be used in funding a newly established and optional employee funded retirement health savings plan.

l. Allocation of Interest Income Among Funds

The City pools all non-restricted cash for investment purchases and allocates interest income based on month-end cash balances. Interest earned by restricted Cash is posted to their respective accounts.

m. Cash Flow Statements

For purposes of the Statement of Cash Flows, the proprietary fund types consider all cash and investments to be cash equivalents, as these funds participate in the citywide cash and investment pool.

n. Estimates

The accompanying financial statements require management to make estimates and assumptions that affect certain report amounts and disclosures. Actual results could differ from those estimates.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

o. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

p. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between fund balance – governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds." The detail of the \$25,610,473 long-term debt difference is as follows:

Long-term debt:	
COPS payable	\$ (18,930,000)
Pension obligation bonds payable	(2,870,000)
Revenue bonds	(1,445,000)
Supplemental leave allowance	(4,607)
Compensated absences	(2,486,555)
Unamortized bond premium	(132,770)
Unamortized bond issuance costs	<u>258,458</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u><u>\$ (25,610,474)</u></u>

Note 2: Budgets and Budgetary Accounting

a. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device.

b. Excess Expenditures

For the year ended June 30, 2012, the following funds had expenditures in excess of budget:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 2: Budgets and Budgetary Accounting (Continued)

Fund	Expenditures	Appropriations	Excess
General Fund			
Public Safety	\$ 30,200,703	\$ 29,566,854	\$ (633,849)
Street Lighting & Landscaping			
Public Works	596,117	587,151	(8,966)
Proposition A			
Culture & Recreation	636,860	624,371	(12,489)
AB2766 Fund			
Public Works	10,386	7,868	(2,518)

c. Deficit

The Federal and State Grants Fund has a deficit of \$22,488. This deficit is due to Accounts Receivable (Due from Other Governments) offset by a deferred revenue liability. Revenues under modified accrual are recognized when “available” i.e. within 60 days of the end of the fiscal year.

Note 3: Cash and Investments

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 36,124,692
Internal Service	14,158,711
Business-type activities	21,132,046
Agency	4,219,643
Pension Trust	373,943
	<u> </u>
Total Cash and Investments	<u><u>\$ 76,009,035</u></u>

The City of Manhattan Beach maintains a cash and investment pool that is available for use for all funds, including fiduciary funds. Each fund type's position in the pool is reported on the Combined Balance Sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

The City implemented the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, in the prior year. This statement establishes and modifies disclosure requirements related to investment and deposit risks; accordingly, the note disclosure on cash and investments has been revised to conform to the provisions of GASB Statement No. 40.

a. Deposits

At June 30, 2012, the carrying amount of the City's deposits was \$1,788,543 and the bank balance was \$1,063,174. The \$725,369 difference represents outstanding checks and other reconciling items.

Note 3: Cash and Investments (Continued)

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The City's Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporarily covered by this provision.

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency.

Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

b. Authorized Investments

Under provisions of the City's Investment Policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan associations
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Demand Deposits
- Passbook Savings Account Demand Deposits
- Federally Insured Thrift and Loan
- Repurchase Agreements
- Medium-Term Corporate Notes
- Floaters or step-ups with market driven interest rate adjustments
- Mutual Funds of highest ratings

Note 3: Cash and Investments (Continued)

The City's investment policy does not allow the use of reverse-repurchase agreements and, accordingly, the City did not borrow through the use of reverse-repurchase agreements at any time during the year.

c. Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Entity's investment policy.

d. Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holdings in LAIF. The City had a contractual withdrawal value of \$31,500,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$31,538,419.

e. Investment in State Treasury's Investment Pool and 401(a) Plan

Investment in State Treasury's Investment Pool and 401(a) plan cannot be assigned a credit risk category because the City does not own specific securities. However, the funds' investment policies and practices with regard to the credit and market risks have been determined acceptable to the City's investment policies.

f. Cash and Investments - 401 (a) Plan

The City contributes to a 401(a) plan for its management confidential employees into which these employees can make voluntary contributions. The fair value of the plan assets at June 30, 2012, was \$2,045,723.

g. GASB Statement No. 31

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the Entity reports its investments at fair value in the balance sheet.

All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Note 3: Cash and Investments (Continued)

Methods and assumptions used to estimate fair value - The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis for material amounts. The City's investment custodian provides market values on each investment instrument on a monthly basis for material amounts. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered fair value. For the year ended June 30, 2012, the fair value of investments exceeded the book value by \$209,841.

h. Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated in the top three rating categories by two of the three largest nationally recognized rating services at time of purchase. As of June 30, 2012, the City's investment in medium-term notes consisted of investments with Bank of America, Commonwealth Bank Australia, and General Electric Capital. All MTN's were rated "A" or higher by Moody's at time of purchase. All securities were investment grade and were legal under state and city policies. Investments in U.S. government securities are not considered to have credit risk; therefore, their credit quality is not disclosed.

i. Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk.

As of June 30, 2012, none of the City's deposits or investments was exposed to custodial credit risk.

j. Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer for the following types of investments. With respect to concentration of credit risk, as of June 30, 2012, the City is in compliance with its investment policy's restrictions.

In accordance with GASB Statement No. 40, if the city has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The following issuers are above the 5% of total investments: Federal Home Loan Bank (6%), Federal Farm Credit (13.5%), Federal National Mortgage Association (13.5%) and Federal Home Loan Mortgage Corporation (10.5%). These government-sponsored investments are backed by the federal government and are well below the City's investment policy limit of 33.33% of total investments.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 3: Cash and Investments (Continued)

k. Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that no investment can mature more than five years from the date of purchase in line with state code requirements. The only exception to these maturity limits shall be the investment of the gross proceeds of tax-exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2012, the City had the following investments and original maturities:

	Remaining Investment Maturities				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	More than 3 years	
Pooled Investments:					
Local Government Fund	\$ 31,538,419	\$ -	\$ -	\$ -	\$ 31,538,419
Certificate of Deposit	-	-	735,696	1,474,038	2,209,733
US Treasury and agency notes	1,006,640	-	12,754,230	16,109,260	29,870,130
Medium-term notes	3,034,000	-	1,006,450	-	4,040,450
	<u>\$ 35,579,059</u>	<u>\$ -</u>	<u>\$ 14,496,376</u>	<u>\$ 17,583,298</u>	<u>67,658,732</u>
Investment with Fiscal Agents:					
Police & Fire Certificates of Participation					1,083,100
Utility Undergrounding					1,359,648
Metlox certificates of participation					1,137,579
Marine certificates of participation					15,165
Police & Fire pension bonds					173,344
Water/wastewater revenue bonds					1,128,510
SBRPCA revenue bonds					338,625
					<u>5,235,971</u>
Demand deposits					1,063,174
Other deposits					4,187
Petty cash					1,248
					<u>1,068,609</u>
Other Funds and Deposits:					
401(a) employee plan					2,045,723
					<u>2,045,723</u>
Grand Total					<u>\$ 76,009,035</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 4: Interfund Transactions

Interfund Transfers

With City Council approval, resources may be transferred from one fund to another. Transfers between individual funds during the fiscal year ended June 30, 2012, are presented below:

	Transfers In				Transfers out Totals
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Parking Fund	
<u>Transfers Out</u>					
General Fund	\$ -	\$ 3,000,000	\$ 201,291	\$ 51,900	\$ 3,253,191
Nonmajor Proprietary Funds	151,784	-	-	-	151,784
Transfers Out Totals	<u>\$ 151,784</u>	<u>\$ 3,000,000</u>	<u>\$ 201,291</u>	<u>\$ 51,900</u>	<u>\$ 3,404,975</u>

The interfund transfers scheduled above resulted from a variety of City initiatives including the following:

- The County Parking Lot fund transferred \$151,784 to the General Fund for recreation purposes.
- The General Fund transferred \$201,291 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$3,000,000 to Capital Improvement Fund for ongoing capital improvement projects.
- The General Fund transferred \$51,900 to the Parking Fund for parking meters to be used at County Parking Lots

Due To/From Other Funds

	Due To Other Funds
	Nonmajor Governmental Funds
<u>Due From Other Funds</u>	
General Fund	<u>\$ 22,488</u>

The amount due to the General Fund consists of the elimination of a cash deficit in the Federal and State Grants Fund for grant funds not yet received.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Interfund Transactions (Continued)

Advances to Other Funds

	Advance to Other Funds Capital Improvement Fund
<u>Advances From Other Funds</u>	
Parking Fund	<u>\$ 771,100</u>

The advance is a loan from the Capital Improvement Fund to the Parking Fund for the purchase of parking meters.

Note 5: Capital Assets and Depreciation

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital assets activity for the year ended June 30, 2012:

	Beginning Balance July 1, 2011	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2012
Governmental Activities:					
Land	\$ 34,072,066	\$ -	\$ -	\$ -	\$ 34,072,066
Construction-in-progress					
Street / Roadways	2,126,236	745,236	-	(661,492)	2,209,980
Recreation	20,161	3,270,062	-	(117,973)	3,172,250
Buildings	-	6,985	-	-	6,985
	<u>2,146,397</u>	<u>4,022,283</u>	<u>-</u>	<u>(779,465)</u>	<u>5,389,215</u>
Total Capital Assets, Not Being Depreciated	<u>36,218,463</u>	<u>4,022,283</u>	<u>-</u>	<u>(779,465)</u>	<u>39,461,281</u>
Buildings and Structures	43,412,146	-	-	-	43,412,146
Machinery and Equipment	6,281,919	104,947	(180,162)	-	6,206,704
Vehicles	7,564,016	339,152	(59,719)	-	7,843,449
Infrastructure					
Street / Roadways	49,175,678	-	-	661,492	49,837,170
Parks and Recreation	13,603,757	-	-	117,973	13,721,730
Investment in Joint Venture (RCC)	2,816,856	60,494	(7,097)	-	2,870,253
Total Capital Assets, Being Depreciated	<u>122,854,372</u>	<u>504,593</u>	<u>(246,978)</u>	<u>779,465</u>	<u>123,891,452</u>
Buildings and Structures	(6,071,598)	(869,029)	-	-	(6,940,627)
Machinery & equipment	(4,711,595)	(372,696)	167,417	-	(4,916,874)
Vehicles	(5,266,152)	(577,852)	59,719	-	(5,784,285)
Infrastructure					
Street / Roadways	(23,056,139)	(1,412,111)	-	-	(24,468,250)
Parks and Recreation	(4,429,607)	(240,528)	-	-	(4,670,135)
Investment in Joint Venture	(807,441)	(122,027)	2,517	-	(926,951)
Total Accumulated Depreciation	<u>(44,342,532)</u>	<u>(3,594,243)</u>	<u>229,653</u>	<u>-</u>	<u>(47,707,122)</u>
Total Capital Assets, Being Depreciated, Net	<u>78,511,840</u>	<u>(3,089,650)</u>	<u>(17,325)</u>	<u>779,465</u>	<u>76,184,330</u>
Governmental Activities Capital Assets, Net	<u>\$ 114,730,303</u>	<u>\$ 932,633</u>	<u>\$ (17,325)</u>	<u>\$ -</u>	<u>\$ 115,645,611</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 5: Capital Assets and Depreciation (Continued)

	Balance July 1, 2011	Increases additions	Decreases (deletions)	Transfers	Balance June 30, 2012
Business-Type Activities:					
Capital assets, not being depreciated:					
Land - water	\$ 307,967	\$ -	\$ -	\$ -	\$ 307,967
Land - storm water	7,650	-	-	-	7,650
Land - parking	1,441,817	-	-	-	1,441,817
Construction-in-progress	162,158	1,726,760	-	(171,530)	1,717,388
Total Capital Assets, Not Being Depreciated	1,919,592	1,726,760	-	(171,530)	3,474,822
Capital assets, being depreciated:					
Buildings and structures - parking	16,976,393	-	-	-	16,976,393
Machinery and equipment - parking	1,137,266	-	-	-	1,137,266
Water	24,404,395	-	-	162,262	24,566,657
Storm water	6,871,403	-	-	-	6,871,403
Wastewater	10,662,030	-	-	9,268	10,671,298
Total Capital Assets, Being Depreciated	60,051,487	-	-	171,530	60,223,017
Less Accumulated Depreciation:					
Buildings and structures - parking	(1,177,922)	(185,296)	-	-	(1,363,218)
Machinery and equipment - parking	(548,640)	(46,724)	-	-	(595,364)
Water	(9,743,389)	(433,357)	-	-	(10,176,746)
Storm water	(3,232,183)	(147,167)	-	-	(3,379,350)
Wastewater	(5,352,854)	(171,478)	-	-	(5,524,332)
Total Accumulated Depreciation	(20,054,988)	(984,022)	-	-	(21,039,010)
Total Capital Assets, Being Depreciated, Net	39,996,499	(984,022)	-	171,530	39,184,007
Business-Type Activities Capital Assets, Net	\$ 41,916,091	\$ 742,738	\$ -	\$ -	\$ 42,658,829

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General government	\$ 135,476
Public safety	1,141,282
Public works	1,486,188
Parks and recreation	253,445
Internal service funds	577,852
Total Depreciation Expense - Governmental Activities	\$ 3,594,243
Business-Type Activities:	
Water	\$ 433,357
Storm water	147,167
Wastewater	171,478
Parking	232,020
Total Depreciation Expense - Business-Type Activities	\$ 984,022

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 6: Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

Governmental Activities:	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due in One Year
Long-term Debt:					
Marine Ave Park COP	\$ 7,715,000	\$ -	\$ (235,000)	\$ 7,480,000	\$ 245,000
Police Fire COP	11,725,000	-	(275,000)	11,450,000	285,000
2001 South Bay Revenue Bond	1,495,000	-	(50,000)	1,445,000	50,000
Pension Obligation Bonds	3,795,000	-	(925,000)	2,870,000	1,010,000
Other:					
Supplemental Leave Allowance	4,607	-	-	4,607	-
Compensated Absences	2,533,972	2,041,077	(2,088,494)	2,486,555	531,149
Workers Compensation Claims	6,574,294	2,219,864	(1,434,889)	7,359,269	5,192,248
General Liability Claims	969,562	1,664,071	(288,214)	2,345,419	1,382,276
Total Governmental	<u>\$ 34,812,435</u>	<u>\$ 5,925,012</u>	<u>\$ (5,296,597)</u>	35,440,850	<u>\$ 8,695,673</u>
Unamortized premium				132,770	
				<u>\$ 35,573,620</u>	
Business-Type Activities:					
Long-term Debt:					
Water Fund COP	\$ 2,258,737	\$ -	\$ (87,130)	\$ 2,171,607	\$ 90,491
Wastewater Fund COP	1,111,263	-	(42,870)	1,068,393	44,509
Metlox Parking COP	11,435,000	-	(310,000)	11,125,000	325,000
Other long term liabilities:					
Compensated Absences	<u>109,226</u>	<u>49,921</u>	<u>(99,400)</u>	<u>59,747</u>	<u>15,144</u>
Total Business Type	<u>\$ 14,914,226</u>	<u>\$ 49,921</u>	<u>\$ (539,400)</u>	<u>\$ 14,424,747</u>	<u>\$ 475,144</u>

a. Marine Avenue Certificates of Participation

The City of Manhattan Beach issued \$9,535,000 of Variable Rate Demand Refunding Certificates of Participation (COP) to refinance the Marine Sports Field Lease. The COP's were issued on April 24, 2002. The interest rate is variable and will be determined by the Remarketing Agent at a rate as follows: the adjustable interest rate will be the interest rate for actual days elapsed which, in the judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, when payable with respect to the Certificates, would equal the interest rate necessary to enable the Remarketing Agent to remarket the tendered Certificates at 100% of the principal amount thereof. The rate used for the repayment schedule is 3.58%, which was the rate estimated at the issuance of the COP's. The COP's mature on August 1, 2032.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Long-Term Liabilities (Continued)

Annual debt service requirements to maturity for the Marine Avenue Certificates of Participation are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 245,000	\$ 298,384	\$ 543,384
2014	255,000	288,484	543,484
2015	265,000	277,758	542,758
2016	270,000	267,231	537,231
2017	280,000	255,094	535,094
2018-2022	1,570,000	1,091,116	2,661,116
2023-2027	1,870,000	737,319	2,607,319
2028-2032	2,230,000	316,342	2,546,342
2033-2035	495,000	5,774	500,774
Total	<u>\$ 7,480,000</u>	<u>\$ 3,537,502</u>	<u>\$ 11,017,502</u>

b. Police and Fire Facility Certificates of Participation

The City of Manhattan Beach issued \$12,980,000 of fixed rate Certificates of Participation (COP) to fund the construction of a new integrated Police and Fire safety facility, fund reserve requirements, and pay related issuance costs. The facility is located on the Civic Center campus, includes approximately 350 subterranean parking spaces, and was substantially completed in fiscal year 2005-2006. The COP's were issued on November 4, 2004. The certificates bear interest at 2% to 5% and mature through 2036. The COP's final series mature on January 1, 2036.

Annual debt service requirements to maturity for the Police and Fire Certificates of Participation are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 285,000	\$ 527,063	\$ 812,063
2014	295,000	516,728	811,728
2015	305,000	505,663	810,663
2016	315,000	493,644	808,644
2017	325,000	480,844	805,844
2018-2022	1,850,000	2,189,619	4,039,619
2023-2027	2,805,000	1,738,616	4,543,616
2028-2032	3,050,000	1,100,125	4,150,125
2033-2035	2,220,000	297,750	2,517,750
Total	<u>\$ 11,450,000</u>	<u>\$ 7,850,052</u>	<u>\$ 19,300,052</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Long-Term Liabilities (Continued)

c. 2001 South Bay Regional Public Communications Authority Revenue Bonds

On January 16, 2001, the City issued \$2,180,000 in South Bay Regional Public Communications Authority Variable Rate Demand Revenue Bonds, 2001 Series C, for the purpose of financing a portion of the costs of the project for use, in part, by the City, pay capitalized interest on the Series C Bonds through May 1, 2002, fund a reserve account for the Series C Bonds, and pay certain costs of issuance of the Series C Bonds. The bonds mature annually each January 1, 2003 to 2031.

The annual requirements to amortize the 2001 South Bay Regional Public Communications Authority Revenue Bonds outstanding at June 30, 2012, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 50,000	\$ 58,152	\$ 108,152
2014	50,000	56,207	106,207
2015	55,000	54,083	109,083
2016	55,000	51,919	106,919
2017	60,000	49,424	109,424
2018-2022	340,000	208,276	548,276
2023-2027	425,000	130,285	555,285
2028-2031	410,000	36,326	446,326
Total	<u>\$ 1,445,000</u>	<u>\$ 644,672</u>	<u>\$ 2,089,672</u>

d. 2007 Pension Obligation Bonds

On March 14, 2007, the City issued \$6,800,000 in Taxable Pension Obligation Bonds, 2007, for the purpose of liquidating Police and Fire side fund accrued actuarial liabilities due California Public Employees' Retirement System (See Note 9 Mandatory Police and Fire Risk Pooling). The bonds mature annually in amounts ranging from \$695,000 to \$1,095,000, bearing interest at 5.011%.

The annual requirements to amortize the 2007 Taxable Pension Obligation Bonds outstanding at June 30, 2012, were as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,010,000	\$ 118,510	\$ 1,128,510
2014	1,095,000	65,769	1,160,769
2015	765,000	19,168	784,168
Totals	<u>\$ 2,870,000</u>	<u>\$ 203,447</u>	<u>\$ 3,073,447</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 6: Long-Term Liabilities (Continued)

e. Compensated Absences

At June 30, 2012, the total citywide accrued liability for compensated absences amounted to \$2,546,302 which is comprised of \$2,155,260 and \$391,042 of vested vacation and sick leave, respectively. \$2,486,555 of this compensated leave liability is related to general government services with the remaining \$59,747 related to business type activities. The governmental activities liability is generally liquidated by the General Fund and the business type activities liabilities are liquidated by the corresponding proprietary funds.

f. Workers' Compensation Claims

As of June 30, 2012, reserves for open workers compensation claims have been established in accordance with analysis by a third party claims administrator. The value of these claims is \$5,192,248. In addition, reserves of \$2,167,021 have been set aside for incurred but not reported claims. Total reserves are \$7,359,269.

g. General Liability Claims

As of June 30, 2012, reserves for open general liability claims have been established in accordance with an analysis by a third party claims administrator. The value of these claims is \$1,382,276. In addition, reserves of \$963,143 have been set aside for incurred but not reported claims. Total reserves are \$2,345,419. These reserves are \$1,375,857 greater than that as of June 30, 2012, and are due to unexpected claim activity during the year.

h. Water and Wastewater Certificates of Participation

In September 1996, the Manhattan Beach Capital Improvements Corporation issued \$4,615,000 of debt in the form of Certificates of Participation. This debt was issued to finance 1996 and 1997 enterprise fund projects, related specifically to the water and wastewater systems. The certificates bear interest at 5.3% to 5.8% and mature through 2026. Installment payments to be made by the City will be secured by net revenues received by the subject enterprise funds and do not obligate the City's General Funds.

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2012:

Fiscal Year Ending June 30,	Water			Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 90,491	\$ 122,375	\$ 212,866	\$ 44,509	\$ 60,206	\$ 104,715
2014	97,186	117,096	214,282	47,814	57,610	105,424
2015	103,888	111,441	215,329	51,112	54,827	105,939
2016	110,591	105,409	216,000	54,409	51,859	106,268
2017	117,293	98,926	216,219	57,707	48,670	106,377
2018-2022	700,409	381,864	1,082,273	344,591	187,871	532,462
2023-2027	951,749	144,807	1,096,556	468,251	71,243	539,494
Total	<u>\$ 2,171,607</u>	<u>\$ 1,081,918</u>	<u>\$ 3,253,525</u>	<u>\$ 1,068,393</u>	<u>\$ 532,286</u>	<u>\$ 1,600,679</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 6: Long-Term Liabilities (Continued)

i. Metlox Certificate of Participation

In January 2003, the City of Manhattan Beach issued \$13,350,000 of fixed rate Certificates of Participation (COP) to finance the construction of a public parking structure at the City owned Metlox site. This site is located adjacent to City Hall in the downtown district and the structure's construction was completed in January 2004. Interest rates on the certificates range from 2% to 5% and mature through 2033. These certificates evidence and represent the proportionate interests of the registered owners thereof in lease payments to be made by the City as rent for use of certain real property and improvements thereon. City Hall and adjacent land are encumbered as security for the COP.

As of June 30, 2012, annual debt service requirements to maturity for the Metlox Parking Facility (COP) are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 325,000	\$ 532,159	\$ 857,159
2014	335,000	519,159	854,159
2015	350,000	505,759	855,759
2016	365,000	491,759	856,759
2017	380,000	476,246	856,246
2018-2022	2,185,000	2,106,986	4,291,986
2023-2027	2,785,000	1,530,750	4,315,750
2028-2032	3,570,000	760,500	4,330,500
2033	830,000	41,500	871,500
Total	<u>\$ 11,125,000</u>	<u>\$ 6,964,818</u>	<u>\$ 18,089,818</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 7: Non-City Obligation

In August 2004, the City issued three separate limited obligation improvement bonds totaling \$3,402,891, under provisions of the Improvement Bond Act of 1915, for Underground Assessment Districts 04-1, 04-3 and 04-5. These bonds were issued for the purpose of financing the construction of certain public improvements within the underground utility assessment districts. The bonds are secured solely by the subject properties and the amounts held in respective reserve and bond funds. The bonds are not secured by the general taxing power of the City of Manhattan Beach and the City has not pledged credit for payment thereof.

In August 2006, the City issued two separate limited obligation improvement bonds totaling \$9,207,823, under provisions of the Improvement Bond Act of 1915, for Underground Assessment Districts 05-2 and 05-6, in the amounts of \$4,525,000 and \$4,628,823, respectively. These bonds were issued for the purpose of financing the construction of certain public improvements within the underground utility assessment districts. The bonds are secured solely by the subject properties and the amounts held in respective reserve and bond funds. The bonds are not secured by the general taxing power of the City of Manhattan Beach and the City has not pledged credit for payment thereof.

Because these bonds are not City obligations, the related liabilities are not reflected in the financial statements.

Note 8: Classification of Fund Balance and Enterprise Fund Net Assets

The City's governmental funds reserves and designations at June 30, 2012, are presented below:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Total Fund Equity	\$ 19,860,593	\$ 5,865,007	\$ 9,685,506	\$ 35,411,106
Non Spendable:				
Prepays	48,989	-	-	48,989
Notes and loans	432,000	38,336	-	470,336
Advances to other funds	-	771,100	-	771,100
Restricted:				
Public safety	-	-	1,187,562	1,187,562
Parks and recreation	-	-	107,428	107,428
Public works	-	-	4,558,434	4,558,434
Capital projects	-	-	3,269,531	3,269,531
Debt service	1,245,112	817,075	-	2,062,187
Committed:				
Capital projects	-	4,238,496	585,039	4,823,535
Unassigned	<u>18,134,492</u>	<u>-</u>	<u>(22,488)</u>	<u>18,112,004</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 8: Classification of Fund Balance and Enterprise Fund Net Assets (Continued)

The City's Enterprise Fund restrictions and City Council designations at June 30, 2012, are presented below:

	Water Fund	Waste Water Fund	Refuse Fund	Parking Fund	Nonmajor Enterprise Funds
Total Net Assets	\$ 23,121,085	\$ 7,742,755	\$ 797,420	\$ 9,351,063	\$ 6,957,757
Restricted:					
Debt service	226,963	111,662	-	871,500	-
BID	-	-	-	523,928	-
Total Restricted	226,963	111,662	-	1,395,428	-
Investment in Net Capital Assets	13,658,123	4,664,032	-	6,471,894	3,499,780
Unrestricted	9,235,999	2,967,061	797,420	1,483,741	3,457,977

Note 9: Retirement Plans and Other Post Employment Benefits

a. California Public Employees Retirement System

CALPERS

The City of Manhattan Beach's defined benefit pension plans (the "Safety and Miscellaneous Plans") provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. California Public Employees Retirement System (PERS) acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The City of Manhattan Beach selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance or resolution. PERS issues a separate comprehensive annual financial report. Copies of the PERS's annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, California 95814.

Miscellaneous Employees Plan

Plan Description

The City of Manhattan Beach Miscellaneous Plan is an agent multiple employer defined benefit plan.

Plan Benefits

Standard Service Retirement

The basic benefit formula is number of years of service times single highest year compensation times 2% @ age 55 increasing to 2.418% @ age 63. The retiree may elect to modify the basic benefit. However all benefits are actuarially equivalent.

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Funding Policy

Active plan members in the Miscellaneous Plans are required to contribute 7% of their annual covered salary. The City of Manhattan Beach is required to contribute the actuarially determined additional percentage of payroll amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time miscellaneous employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2009, determined the required employer contribution rate for fiscal year 2011-2012 to be 9.442% for miscellaneous employees. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.

Assumptions

A summary of principal assumptions and methods used to determine the ARC is as follows for the agent multiple employer plan.

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	25 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market

Actuarial Assumptions

Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases and type of employment	3.55% to 14.45% depending on Age, Service,
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

The plans' actuarial value (which differs from fair value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Net Pension Obligation at the beginning of the fiscal year was \$0. Actual contributions were equal to the annual required contributions resulting in a Net Pension Obligation of \$0 at the end of the fiscal year.

Schedule of Funding Progress for PERS
 Miscellaneous Plan
 Most Recent Available

Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	Unfunded Liability as % of Payroll
				(AV/AL)	Market Value		
6/30/2009	\$ 60,196,409	\$ 56,968,601	\$ 3,227,808	94.6%	69.10%	\$ 11,565,779	27.9%
6/30/2010	64,076,720	59,824,270	4,252,450	93.4%	73.10%	11,728,887	36.3%
6/30/2011	71,498,265	63,418,351	8,079,914	88.7%	73.10%	13,463,033	60.0%

Annual Pension Cost and Net Pension Obligation Miscellaneous Plan

The City of Manhattan Beach annual pension cost and change in net pension obligation in fiscal year ending June 30, 2012, was as follows:

Three-Year Trend Information for PERS Miscellaneous Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 907,739	100%	\$ -
6/30/2011	1,018,107	100%	-
6/30/2012	1,265,396	100%	-

Safety Employees Plan – Pooled Participation

Plan Description.

The Safety Plan is a cost sharing multiple employer public employee defined benefit pension plan and consists of respective pools for Sworn Police and Sworn Fire employees.

Plan Benefits.

Standard Service Retirement.

Police - The basic benefit formula is number of years of service times single highest year compensation times 3% at age 50 and up.

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Fire - The basic benefit formula is number of years of service times single highest year compensation times 3% at age 55 and up.

The retiree may elect to modify the basic benefit. However all benefits are actuarially equivalent.

Mandatory Police & Fire Risk Pooling

Background

The City of Manhattan Beach Police and Fire retirement plans participate in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups thereby reducing potential rate fluctuations that are incurred by small populations. Mandated participation in risk pools began in fiscal year 2005-2006 for plans with less than 100 active members based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The difference between the normal cost of each of the safety plans (based on final stand alone evaluation) and that of the pool was phased out over a five year period. The difference was charged in full in the first year, 80% in the second year and so on until the difference was phased out after fiscal 2010-2011. Initially, the final stand alone normal costs for both safety plans were greater than that of the pool. In addition, each group is charged for class 1 benefits, a) one year final compensation and b) post retirement survivor continuance.

At the time that the City joined the risk pool, existing unfunded liabilities for both plans were transferred to the PERS "Side Fund". In March 2007, the City issued taxable pension bonds to pay off the side fund. The City has and will realize cost savings since the effective interest rate of the bonds is substantially lower than the amortization at an imputed interest rate of 7.75%. The amortization period for the side fund was ten years. Debt service requirements for these pension bonds are presented in footnote 6e.

Funding Policy

Active plan members in the Safety Plan are required to contribute 9% of their annual covered salary. The City of Manhattan Beach is required to contribute the actuarially determined additional percentage amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time salaried safety employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2009, determined the required employer contribution rate for fiscal year 2011-2012 was, 25.821%, and 23.006% for police and fire sworn employees, respectively. These rates reflect the payment of the side fund liability.

The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Pool assumptions (Both Police and Fire Safety)

A summary of principal assumptions and methods used to determine the ARC is shown below for cost-sharing multiple-employer defined benefit plan

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	18 Years – Police; 17 Years – Fire as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases of employment	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Changes in the liability due to plan amendments, actuarial assumptions or methods are amortized separately as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the pool's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Please refer to Note 15 for explanation of restatement of opening assets and connection with pooled pension plans. Government wide assets have been restated to reflect the fact that the liquidation of the side fund balance should have been treated as a liquidation of a liability. The components of the prior period adjustment of net assets are equal to the sum of net pension obligation (NPO) of the police and fire plans. The NPO indicated in June 30, 2012, statements were (\$2,834,556) (Police) and (\$1,152,290) (Fire), and are restated to \$0 as of July 1, 2011, and there is no longer amortization or interest on net pension obligation. The annual pension cost is equal to annual required contributions. The following schedules of Annual Pension Cost and Net Pension Obligation plans have been restated for the prior years.

Annual Pension Cost and Net Pension Obligation Police Plan

The City of Manhattan Beach police plan annual pension cost and change in net pension obligation in fiscal year ending June 30, 2012, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 1,527,636	100.00%	\$ -
6/30/2011	1,522,884	100.00%	-
6/30/2012	1,951,952	100.00%	-

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Annual Pension Cost and Net Pension Obligation Fire Plan

The City of Manhattan Beach fire plan annual pension cost and change in net pension obligation in fiscal year ending June 30, 2012, was as follows:

Fiscal Year	Annual pension cost	Percent of APC contributed	Net Pension Obligation
6/30/2010	\$ 764,528	100.00%	\$ -
6/30/2011	723,898	100.00%	-
6/30/2012	995,621	100.00%	-

The net pension obligation relates to the plan specific to the Sworn Safety employees of the City of Manhattan Beach. The status of the risk pool is a separate matter.

Summary of Annual Pension Payments and Cost

For fiscal year ending June 30, 2012, the City of Manhattan Beach's annual pension payment was \$4,212,969 for the Police, Fire and Miscellaneous Plans combined, and was equal to the City's required contribution. The payments by group are as follows: Miscellaneous - \$1,265,396, Fire - \$995,621, Police - \$1,951,952. The City also contributed \$2,007,975 for the 2011-2012 fiscal year on behalf of the employees. Employee payments by group are as follows: Miscellaneous – \$938,124, Fire - \$389,491, Police – \$680,360 The City's payroll for employees covered by the plans for the year ended June 30, 2012, was \$25,289,012. The total payroll for the year was \$27,181,384.

b. City Funded Pension Plans

1. Supplemental Retirement Plan

The Supplemental Retirement Plan is a single-employer defined benefit pension plan that covers Police, Fire and Management/Confidential employees who retired prior to January 1995. The plan provides the employee the difference between the benefit provided by the California Public Employees Retirement System (PERS) calculated under the life annuity option and the PERS benefit had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The plan states, "The City shall pay each retiring officer, sergeant, lieutenant, firefighter and management employee upon retirement, a monthly amount which would make up the difference for that option of which the officer will receive from PERS under Government Code Section 21330 through 21335 and what only the officer would have received while alive had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The payment shall be made to the officer only while the officer is alive and will cease upon death. Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's retirement allowance." The benefit is payable for the life of the employee. The benefit is subject to a 2% annual cost-of-living increase. This plan is currently dormant as discussed in the next paragraph. The Supplemental Retirement Plan does not have a separate annual financial report.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

The City of Manhattan Beach incurred the accrued liabilities of active participants under the City PERS plan as of January 1, 1995. The City's remaining obligation is to fund the benefits for those participants who were then currently and are retired.

The number of participants covered under the plan as of June 30, 2012, was as follows:

Retirees and beneficiaries receiving benefits	5
Management/Confidential	<u>5</u>

The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

Investments of the plan are reported at fair value. The City does not charge an administrative fee to the benefit plan.

Schedules of Funding Progress for Supplemental Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Payroll
6/30/2002	\$ 234,488	\$ 200,915	\$ (33,573)	N/A	N/A
6/30/2003	224,064	200,915	(23,149)	N/A	N/A
6/30/2004	196,711	196,289	(422)	N/A	N/A
6/30/2005	183,066	196,289	13,223	N/A	N/A
6/30/2006	192,805	192,805	-	N/A	N/A
6/30/2007	183,185	192,805	9,620	N/A	N/A
6/30/2008	193,627	189,506	(4,121)	N/A	N/A
6/30/2009	175,571	189,506	13,935	N/A	N/A
6/30/2010	169,591	136,197	(33,394)	N/A	N/A
6/30/2011	158,035	136,197	(21,838)	N/A	N/A
6/30/2012	133,653	133,183	(470)	N/A	N/A

Year Ended	Annual Actual Contribution	Percentage Contribution
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A
6/30/2004	N/A	N/A
6/30/2005	N/A	N/A
6/30/2006	N/A	N/A
6/30/2007	N/A	N/A
6/30/2008	N/A	N/A
6/30/2009	N/A	N/A
6/30/2010	N/A	N/A
6/30/2011	N/A	N/A
6/30/2012	N/A	N/A

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	June 30, 2012
Actuarial cost method	Projected Unit Cost Credit method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	4.0%
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2%

2. Single Highest Year Plan

The Single Highest Year Plan is a single-employer defined benefit pension plan of the City of Manhattan Beach. This plan was adopted effective January 1, 1990, covering Management/Confidential Employees and Non-management/Confidential Sworn Police Employees on July 1, 1990, and is for employees who retired prior to May 1993. The plan is known as the City Funded Single Highest Year Plan. The plan pays a retiring employee the difference between the pension payable from PERS and what the PERS pension would be if it were based on the single highest year only. "The payment shall be made to the member only while the member is alive and will cease upon death." Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's PERS retirement.

This plan is being accounted for in the Pension Fund. Benefits vest after five years of service. Retirees must qualify for PERS retirement to qualify for the Single Highest Year Plan. The benefit is payable for the life of the employee and is subject to a 2% annual cost of living increase. This plan is currently dormant as discussed in the next paragraph. The Single Highest Year Plan does not issue a separate annual financial report.

The City incurred the accrued liabilities of active participants under City PERS plan as of January 1, 1993. The City's remaining obligation is to fund the benefits for those participants who were then and are currently retired.

The number of participants covered under the plan as of June 30, 2012, was as follows:

Retirees receiving benefits:	
Management Confidential	3
Police	4
	<u>7</u>
	<u><u>7</u></u>

The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments of the plan are reported at fair value. The City does not charge an administrative fee to the benefit plan.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Schedules of Funding Progress for Single Highest Year

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Payroll
6/30/2002	\$ 602,569	\$ 516,298	\$ (86,271)	N/A	N/A
6/30/2003	582,400	516,298	(66,102)	N/A	N/A
6/30/2004	499,227	498,155	(1,072)	N/A	N/A
6/30/2005	472,367	498,155	25,788	N/A	N/A
6/30/2006	444,497	444,497	-	N/A	N/A
6/30/2007	428,561	444,497	15,936	N/A	N/A
6/30/2008	461,030	432,935	(28,095)	N/A	N/A
6/30/2009	424,128	432,935	8,807	N/A	N/A
6/30/2010	405,545	377,004	(28,541)	N/A	N/A
6/30/2011	376,174	377,004	830	N/A	N/A

Year Ended	Annual Actual Contribution	Percentage Contribution
6/30/2001	N/A	N/A
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A
6/30/2004	N/A	N/A
6/30/2005	N/A	N/A
6/30/2006	N/A	N/A
6/30/2007	N/A	N/A
6/30/2008	N/A	N/A
6/30/2009	N/A	N/A
6/30/2010	N/A	N/A
6/30/2011	N/A	N/A
6/30/2012	N/A	N/A

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	June 30, 2012
Actuarial cost method	Projected Unit Cost Credit Method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant

Actuarial Assumptions:	
Investment rate of return	5.0%
Discount Rate	4.0%
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2%

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Statement of Fiduciary Net Assets

Financial information for each City-sponsored pension plan is as follows:

Statement of Fiduciary Net Assets

	<u>Supplemental</u>	<u>Single Highest Year</u>	<u>Total</u>
Assets			
Cash & investments	\$ 102,627	\$ 271,316	\$ 373,943
Accounts receivable	31,026	82,024	113,050
Total Assets	<u>\$ 133,653</u>	<u>\$ 353,340</u>	<u>\$ 486,993</u>
Net Assets			
Held in trust for pension benefits	<u>\$ 133,653</u>	<u>\$ 353,340</u>	<u>\$ 486,993</u>

Statement of Changes in Fiduciary Net Assets

Plan Activity	<u>Supplemental</u>	<u>Single Highest Year</u>	<u>Total</u>
Additions:			
Interest	\$ 5,951	\$ 14,126	\$ 20,077
Transfer (reallocation)	-	11,000	11,000
Total Additions	<u>5,951</u>	<u>25,126</u>	<u>31,077</u>
Deductions:			
Benefits	19,333	47,960	67,293
Transfer (reallocation)	11,000	-	11,000
Total Deductions	<u>30,333</u>	<u>47,960</u>	<u>78,293</u>
Changes in net assets	<u>(24,382)</u>	<u>(22,834)</u>	<u>(47,216)</u>
Net Assets Held in Trust for Pension Benefits:			
Opening balance July 1, 2011	<u>158,035</u>	<u>376,174</u>	<u>534,209</u>
Ending balance June 30, 2012	<u>\$ 133,653</u>	<u>\$ 353,340</u>	<u>\$ 486,993</u>

c. Other Post Retirement Benefits

City of Manhattan Beach Retiree Medical Program

Plan Description:

The City of Manhattan Beach Retiree Medical Program is a Single Employer Plan that provides a fixed stipend to qualifying retirees and a contribution to all retirees enrolled in CalPERS medical plan.

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

1. City Post Retirement Medical Plan

In accordance with employee memoranda of understanding, the City provides fixed stipends during retirement. Payments cease at age 65. The plan provides a benefit of \$250 to \$400 per month directly to the employee to be used towards the health insurance premiums. Employees who retire from employment with the City and meet service requirements ranging from 15 to 20 years are eligible. The plan and payment amounts are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreement between the City and the bargaining units. In fiscal year 2012, the City paid \$113,050 to retirees.

The plan does not issue a separate report, but is included in the actuarial report that includes other post retirement benefits (OPEB) per MOU agreements and that mandated by the State of California. All activity is reported within the financial statements of the City of Manhattan Beach.

2. State of California Mandated Contribution to Retirees

The City of Manhattan Beach contracts with CALPERS to participate in the Public Employee Medical and Hospital Care Act (PEMHCA). Under this contract, both active employees and retirees are provided access to health insurance. The City makes a contribution to retirees who elect to purchase insurance through CALPERS. This contribution is mandated by Assembly Bill 2544 and is adjusted annually by CALPERS. For fiscal year 2012, the City contribution paid to CALPERS was \$102,365. Plan members receiving benefits paid \$611,661.

These plans are financed via actuarially determined contributions and deposited into a trust fund managed by CALPERS. CALPERS has dual independent capacities – as a provider of medical plans and as a trustee. In its capacity as a trustee, CALPERS will be referred to as CERBT (California Employees' Retirement Benefit Trust). City payments to employees and CALPERS will be reimbursed by payments from CERBT in fiscal year 2013. Therefore the City will be reimbursed for $\$113,050 + \$102,365 = \$215,415$.

3. Funding Policy of Benefits

The policy of the City Council is to annually budget the actuarially required contributions and to amend the budget if necessary. All contributions are made by the City; there is no employee contribution. Allocation of cost is made based on the MOU benefit corresponding to each position and the number of positions within each fund/program. Payment to the trustee is exactly equal to the total budget for this benefit. Payroll does not drive the allocation.

4. OPEB Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Valuations are performed biennially, the most recent is as of July 1, 2011. The next valuation will be as of July 1, 2013.

In the July 1, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 7.06% investment rate of return (net of administrative expenses), which is the actuarial rate of return used by CALPERS for assets in CERBT Strategy 2 plans, an annual healthcare cost trend rate of 10% as of July 1, 2011, reduced by decrements to an ultimate rate of 5% by 2016, and a fixed population of active participants. The assets are valued at fair value.

The Net OPEB Obligation (NOO) is being amortized over a closed ten year period ending June 30, 2017. The unfunded accrued actuarial liability is being amortized over the same period as that of the net OPEB obligation. Gains and losses are being amortized over the same closed period. The actuarial value of assets are equal to the amount reported by CERBT at June 30, 2012. The number of PEMHCA participants are: active - 250, retired participants - 73. The number of City Plan participants are: active - 244, retired participants - 25.

5. Annual OPEB Cost and Net OPEB Obligation

In the fiscal year ending June 30, 2012, the City conducted an updated actuarial analysis of these two plans in order to be in conformance with GASB 45. The valuation date was July 1, 2011.

The City's annual post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 and amortization of any Net Pension Obligation existing at the beginning of the fiscal year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

In fiscal year ending June 30, 2012, an updated actuarial valuation was performed as of July 1, 2011. The valuation resulted in a revised normal cost of \$381,000 and amortization of unfunded actuarial accrued liability of (\$172,000) resulting in an actuarially required contribution for fiscal 2011-2012 of \$209,000, and a normal cost of \$408,000 and amortization of AAL of (\$172,000) resulting in an actuarially required contribution of \$236,000 for fiscal 2012-2013.

The City's annual OPEB cost, the amount of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011-2012 and the two preceding years were as follows:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contribution	Net OPEB Obligation (Asset)	Percent of OPEB Cost Contributed
6/30/2010	\$ 887,001	\$ 424,000	\$ (2,908,645)	47.80%
6/30/2011	949,884	451,000	(3,918,625)	47.48%
6/30/2012	755,979	209,000	(3,371,646)	27.65%

Annual required contributions (ARC)	\$ 209,000
Interest on net OPEB	(276,655)
Amortization of OPEB	<u>823,634</u>
Annual OPEB cost	755,979
Less: Annual contributions made	<u>209,000</u>
Increase (decrease) in net OPEB obligation	546,979
Net OPEB obligation (asset) - beginning of year	<u>(3,918,625)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (3,371,646)</u></u>

6. Funded Status and Funding Programs

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Benefits are projected based on benefit levels as of the date of the valuation and do not explicitly reflect the potential effects of legal or contractual funding limitations. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Actuarial valuations take a long-term perspective that involves the use of techniques designed to reduce volatility.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Contributions are held and invested by California Employer's Retiree Benefit Trust (CERBT) which has been established by CALPERS. The value of the City of Manhattan Beach's account as June 30, 2012, was \$7,664,474 which reflects a gain of \$1,754,473 for the fiscal year 2010-2011.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Fiscal Year Ending	Type of Valuation	Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	Percent of Covered Payroll
6/30/2008	Actual	7/1/2007	\$ 5,709,000	\$ -	\$ 5,709,000	0.00%	\$ 18,654,000	30.60%
6/30/2009	Estimated	7/1/2007	5,709,000	6,420,450	(711,450)	112.46%	18,654,000	(3.81%)
6/30/2010	Actual	7/1/2009	5,926,000	4,946,560	979,440	83.47%	19,502,000	5.02%
6/30/2011	Estimated	7/1/2009	5,926,000	5,910,001	15,999	99.73%	19,502,000	0.08%
6/30/2012	Actual	7/1/2011	6,846,000	7,664,474	(818,474)	111.96%	21,871,000	(3.74%)

It should be noted that benefits are not a function of covered payroll. The benefit is a function of employee count, prescribed benefit per employee according to memoranda of understanding and PEMHCA requirements. (Refer to Footnote 9 sections c1 and c2 above.

d. Retirement Plan for Part-Time, Seasonal and Temporary Employees

On June 6, 1997, the City dissolved the City-administered retirement plan for part-time, seasonal and temporary employees and selected the Public Agency Retirement System (PARS) as the retirement program for this group.

The PARS plan is a defined contribution pension plan which is administered by PARS. Benefits and funding requirements are determined by PARS' governing board. All members' earnings are subject to contribution from the employee and the employer. Historically, the contribution rate for both employee and employer has been 3.75% of payroll. In April 2011, the City exercised its option not to pick up 50% share of the required 7.50%. Consequently for fiscal year ending June 30, 2012, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$952,734. The amount of employee contribution was \$71,455.

Note 10: Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City adopted a self-insured workers' compensation program that is administered by City staff and a claims administrator.

The City is a member of the ICRMA, a public entity risk pool currently operating as a common risk management and insurance program for 22 California cities. The City pays an annual premium to the pool for its excess insurance coverage including property (earthquake, flood and all risk), workers compensation and general liability. The City also purchases a separate earthquake policy for the public safety facility.

For workers compensation, the City is self-insured for the first \$750,000 on each claim with excess coverage up to a limit of \$100,000,000. For general liability, the City is self-insured for the first \$500,000 on each claim with excess coverage up to a limit of \$30,000,000.

The City is insured for property losses with a deductible of \$10,000 all risk (fire and theft) and earthquake loss with a deductible of 5% or \$100,000, whichever is greater.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 10: Risk Management (Continued)

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2012, the amount of these liabilities was \$9,704,688. The amount represents an estimate of \$6,574,524 for reported claims through June 30, 2012, and \$3,130,164 of estimated incurred but not reported claims. This liability is the City's best estimate based on available information. Changes in the reported liability at June 30, 2012, resulted from the following:

Year	Liability Beginning of Year	Current Year Claims and Increases in Estimates	Payments and Decreases In Estimates	Liability End of Year
2012	\$ 7,543,856	\$ 4,259,325	\$ (2,098,493)	\$ 9,704,688
2011	6,788,959	3,830,312	(3,075,415)	7,543,856

During the past three fiscal (claims) years, none of the above programs have had settlements or judgments that exceed pooled or insured coverage. There have been no significant reductions in pooled or insured coverages from coverage in the prior year.

The ICRMA has published its own financial report for the year ended June 30, 2012, which can be obtained from Independent Cities Risk Management Authority, 1100 W. Town and Country Road, Suite 1550. Orange Ca. 92868

Note 11: Joint Ventures and Jointly Governed Organizations

a. Joint Venture

South Bay Regional Public Communications Authority

The City is a member of the South Bay Regional Public Communications Authority (SBRPCA), a joint powers authority of the cities of Manhattan Beach, Gardena and Hawthorne. SBRPCA was formed October 14, 1975, for the purpose of financing a public safety communications system for the member cities. The Governing Board is composed of an elected official of each member city. An executive committee is composed of the city managers of each member city. The City's participation percentage at June 30, 2012, was 22.7%.

Summarized audited financial information for SBRPCA at June 30, 2011*, is presented below:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 11: Joint Ventures and Jointly Governed Organizations (Continued)

Statement of Net Assets

Assets	
Current assets	\$ 8,735,406
Due from other governments	1,086,136
Capital assets (net of depreciation)	<u>1,108,383</u>
Total Assets	<u>10,929,925</u>
Liabilities	
Current liabilities	2,839,972
Noncurrent liabilities	<u>495,430</u>
Total Liabilities	<u>3,335,402</u>
Total Net Assets	<u>\$ 7,594,523</u>

Statement of Activities

Operating Revenues	\$ 9,065,145
Operating Expenses	<u>(9,792,522)</u>
Excess of Expenses Over Revenues	<u>(727,377)</u>
Non operating revenues (expenses)	
Interest earnings	30,189
Interest expense	<u>(58,192)</u>
Non operating revenues (expenses)	<u>(28,003)</u>
Change in net assets	(755,380)
Net Assets - June 30, 2010	<u>8,349,903</u>
Net Assets - June 30, 2011	<u>\$ 7,594,523</u>

*Most current information available. SBRPCA has issued its own separate financial statements, which are available at 4440 W. Broadway, Hawthorne, California 90250.

b. Jointly Governed Organization

Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force

The City of Manhattan Beach is a member of Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force (L.A. IMPACT), a joint powers authority of the police departments of cities and other institutions in Los Angeles County. The Organization was formed July 1, 1991, with the mission to promote coordinated law enforcement efforts and to address emerging criminal justice issues, mainly in the areas of drug trafficking enterprise and money laundering. The Executive Council consists of 14 police chiefs and other various police officers. All financial decisions were made by the Executive Council. The members received monetary distributions from the asset seizures based on their respective contribution to the effort.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 11: Joint Ventures and Jointly Governed Organizations (Continued)

Summarized audited financial information for L.A. IMPACT at June 30, 2011*, is presented below:

Statement of Net Assets

Assets

Current assets	\$ 2,954,077
Noncurrent assets	<u>8,563,829</u>
Total Assets	<u>11,517,906</u>

Liabilities

Current liabilities	526,151
Noncurrent liabilities	<u>686,954</u>
Total liabilities	<u>1,213,105</u>
Total Net Assets	<u>\$ 10,304,801</u>

Statement of Activities

Revenues	\$ 8,112,163
Expenses	<u>(9,075,856)</u>
Excess of Expenditures Over Revenues	(963,693)
Non operating revenues (expenses)	
Investment income	14,784
Loss on disposition of capital assets	<u>(5,275)</u>
Non operating revenues (expenses)	<u>9,509</u>
Contributed capital	<u>68,264</u>
Change in net assets	(885,920)
Net Assets - June 30, 2010	<u>11,190,721</u>
Net Assets - June 30, 2011	<u>\$ 10,304,801</u>

*Most current information available. LA Impact has issued its own separate financial statements, which are available at 5700 S. Eastern Avenue, Commerce, California 90040.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 12: Employee 401(a) Plan

The City contributes to a 401(a) plan to its management confidential employees into which employees can make voluntary post-tax contributions. The market value of the plan assets at June 30, 2012, was \$2,045,723.

As of June 30, 2012, the following balances of assets and liabilities were present:

Market Value 401(a) Plan
<u>\$ 2,045,723</u>
<u><u>\$ 2,045,723</u></u>

Note 13: Commitments and Contingencies

Contingencies

There are certain claims and lawsuits pending against the City that seek monetary damages. Potential liabilities due to these claims are accounted for in the Insurance Reserve Fund.

Construction Commitments

The following material construction commitments existed as of June 30, 2012:

Project Name	Contract Amount	Expenditures to date as of June 30, 2012	Remaining Commitments
Sewer Master Plan	\$ 1,277,340	\$ 23,597	\$ 1,253,743
Pacific Avenue Resurfacing	654,654	610,165	44,489
Joslyn Center, Manhattan Heights, and Begg Pool Locker Room Renovation	3,173,000	2,713,231	459,769
Sepulveda Boulevard Bridge Widening	1,488,259	862	1,487,397
2011-12 Water Main Replacement	1,241,940	566,695	675,245
2010-11 Sewer Rehabilitation Project	1,057,835	208,170	849,665
	<u>\$ 8,893,028</u>	<u>\$ 4,122,720</u>	<u>\$ 4,770,308</u>

Note 14: Transactions Between City and City Manager

In February 2011, the City of Manhattan Beach and the City Manager entered into a joint purchase agreement for a residence in Manhattan Beach for him to reside in while City Manager. The agreement provides a home loan and equity sharing arrangement with the City Manager. A home was purchased for \$1,080,000, with the City serving as the lender for the home loan to the City Manager for his half of the property, as well as co-owner of half of the property. The City funded \$974,685 to escrow (\$540,000 as the City's 50% interest in the property and \$432,000 as the lender on the City Manager's portion (this resulted in an 80% loan to value on the City Manager's portion), and \$2,685 for the City's share of the estimated closing costs.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 14: Transactions Between City and City Manager (Continued)

The structure of the arrangement is as follows:

Purchase Price	\$ 1,080,000.00
10% Down Payment - David Carmany	\$ (108,000.00)
10% Down Payment - City	<u>\$ (108,000.00)</u>
Loan Amount (City as Lender)	\$ 864,000.00
Amount to be funded by City as Lender	\$ 864,000.00
D. Carmany Loan	\$ 432,000.00
City Equity (cash funded by City)	\$ 432,000.00
Interest Only Loan Rate	5.000%
Annual Interest (D.Carmany)	\$21,600.00
Monthly Interest Only Payment (Months 1-60) (D.Carmany)	\$1,800.00

Loan to be Interest Only for first five years then full amortized for remaining 25 years at 5% fixed, as follows:

Loan Principal	\$ 432,000.00
Interest Rate (Fixed)	5.00%
Term (Months) (25 years)	300
Payment (Months 61-360 Fixed)	\$2,525.43

The loan is interest-only for the first 5 years (60 months) and then converts to a fully amortized loan for the remaining twenty-five years (300 months). The interest rate (5%) is a current market rate as of January 3, 2011.

The purchase agreement for the property included a credit to the buyers from the seller of \$65,000 for renovations to the property. These funds were distributed through escrow to the City, which in turn were distributed them to the City Manager as the renovations were performed.

The City Manager is required to maintain the home, pay for utilities and his share of applicable property taxes. The loan is due and payable within six months of City Manager's separation from the City. Upon such separation, the City Manager has the option to purchase the City's share of the property. In the event he declines to do so, the City retains the right to purchase the City Manager's share. In either case, the value will be determined through an independent appraisal process described in the loan documents. Upon sale, the City will share on a 50-50 basis any net proceeds (or losses) from the sale.

The loan of \$432,000 is carried as a note receivable offset by a corresponding non-spendable fund balance amount in the General Fund.

For fiscal year ending June 30, 2012, the City Manager has made payments to the City in accordance with the loan agreement.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 15: Prior Period Restatement of Assets

Payment of side fund pension liability due to public safety upon entering cost sharing pool Public Employees Retirement System. Please refer to Note 9 section – Mandatory Police & Fire Risk Pooling.

Net assets have been restated in the government wide statements for:

Government-wide Net Assets:	
Net Assets at Beginning of Year	\$ 134,788,251
Removal of pension asset*	<u>(3,986,849)</u>
Restatement of Net Assets at Beginning of Year	130,801,402
Change in Net Assets Fiscal ending June 30, 2012	<u>3,403,170</u>
Net Assets at End of Year	<u><u>\$ 134,204,572</u></u>

*The City properly reported a pension asset for the funding of its PERS actuarially determined liability at transition to a cost-sharing plan in prior years. Due to GASB Statement No. 68 which amended GASB Statement No. 27, the reporting requirements for pension plans have changed and now the City reports the actuarially determined liability as pension-related debt as defined by GASB Statement No. 68 which required the restatement of net assets by \$3,986,849 to remove the pension asset.

In accordance the GASB Comprehensive Implementation Guide, the side fund liability should have been recorded as a liability in the Government Wide Governmental Statement of Net Assets at time the City entered into mandatory risk pooling. No liability was recognized at that time and the payment of the liability was offset by the creation of an asset (as in the case of a single employer plan) in the Government Wide Statements. Since this payment is a liquidation of an existing liability that should have been recorded in the government wide statements, no asset exists. Therefore the above restatement of the opening balance of the Government-wide Net Asset is required. Since public safety activity is a governmental function, the restatement is restricted to governmental activity net assets opening balance.

Note 16: Subsequent Events

a. Issuance of the Metlox and Water/Wastewater Refunding Series 2012 Certificates of Participation

On July 11, 2011, the City of Manhattan Beach issued certificates of participation (COP's) with a par value of \$12,975,000 plus net premium of \$659,726.60 for the purpose of refunding outstanding Water/Wastewater COP's and Metlox Parking COP's. The Water/Waste COP's were presently callable, while the Metlox COP's were callable January 1, 2013. Given the current interest rate environment, it was in the City's interest to exercise the call, issue refunding certificates of participation, and take advantage of significant present value cash flow savings.

Additional sources of funds were existing debt service reserve balances in each the issue's trustee account plus City contribution of accrued interest as of the call date. The total of proceeds and other sources less delivery costs were deposited in an escrow account. The funds were invested in State and Local Government Series securities

Note 16: Subsequent Events (Continued)

(SLGS) that together with interest earnings yielded the required amount to liquidate principal and interest as of the call date.

Since Governmental Activities are the refunding source for Business Type Activities debt, there will be internal balances created in the Governmental Activities and Business Type Activities. In effect there is a "loan" made from Governmental Activities to Business Activities. Over the duration of the COP's, the Business Type Activities will repay the internal balance principal and interest, with interest rate corresponding to the effective interest rate taking into account bond premium and discount.

b. Litigation Settlement

In December 2012, the City reached a final settlement agreement and mutual release with former City Manager Geoff Dolan in the case of *Dolan v. City of Manhattan Beach*, in which Dolan claimed breach of contract and invasion of privacy stemming from his separation from City employment in 2009. As part of the settlement, Dolan dismissed the lawsuit with prejudice and paid the City \$38,800 to reimburse the City for legal fees incurred defending the case. The Los Angeles Superior Court granted the City's motion to dismiss the lawsuit and awarded attorneys' fees to the City. Dolan appealed the judge's ruling, but as part of the settlement, has dismissed his appeal. The case is now final.



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Combining Financial Statements & Schedules

CITY OF MANHATTAN BEACH

JUNE 30, 2012

NONMAJOR FUNDS

Special Revenue Fund Description

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law to expenditures for specified purposes.

Street Lighting and Landscape Fund provides the power, maintenance and capital improvements for the lighting system within the City of Manhattan Beach. Money is received from a special assessment placed on each tax bill in the City, the amount of which is determined by the benefit received by the owner of each property.

Gas Tax Fund is used to account for the City's share of the state and county gasoline tax collection in accordance with the provisions of the State of California Streets and Highway Code. Revenues are disbursed by the state based on population and must be used toward the maintenance and repair of City streets that serve as state and county thoroughfares.

Asset Forfeiture Fund is used to account for funds received through federal and state agencies for drug seizures in which the City participated. These funds must be used to supplement, not supplant, the Police Department's normal operating budget. The amount of revenue will vary from year to year based on activity levels.

Public Safety Grants are used for monies received from the federal and state governments for the purposes of supplementing front-line law enforcement services.

Federal and State Grants Fund acts as a pass through for capital grants received from local, state and federal authorities. Given the nature of this funding source, this fund's activity levels can vary significantly from year to year.

Proposition A and C Funds are used to account for proceeds from the half-cent sales taxes generated by the approval of Proposition A and C by Los Angeles County voters. These funds, which are administered by the Los Angeles County Metropolitan Transportation Authority (MTA), are distributed based on population and must be used for transportation-related projects.

AB 2766 Fund is used to account for proceeds received from the additional vehicle registration fee imposed by the state and regulated by the Air Quality Management District (AQMD). These funds are distributed based on population and must be used for programs designed to reduce air pollution from motor vehicles.

Measure R Fund is a half cent sales tax approved by Los Angeles voters to be used for new and existing transportation projects, including local bus operations and local city sponsored transportation improvements. Local cities are allocated 15% of collections on a per capita basis.

The City of Manhattan Beach began receiving Measure R funds in fiscal 2010-2011, and established a separate fund to capture revenues and expenditures. Eligible expenditures are streets and signals, bikeways, pedestrian improvements, and transit service improvements. In fiscal 2010-2011 funds were used finance extended Dial-A-Ride service in Manhattan Beach.

Capital Project Fund Description

Capital Projects Funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities, other than those financed by Enterprise or Internal Service Funds.

Underground Assessment District Fund accounts for the resources to construct an underground utility in the future.

CITY OF MANHATTAN BEACH

JUNE 30, 2012

NONMAJOR ENTERPRISE FUNDS

The Enterprise Funds are used to account for City operations that are financed and operated in a manner similar to private business enterprises. The intent in using this type of fund is to see that the costs of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

Storm Water Fund is used to account for the maintenance and improvement of the City's storm drains. Revenues are derived from a storm drain assessment to property owners, which are based on size and use of the parcel, and collected through the property tax rolls.

County Parking Lot Fund is used to account for the operation and maintenance of parking lots that are owned by Los Angeles County but leased to the City. Proceeds from the meters and parking permits are divided 55% to the county, with an annual guaranteed minimum of \$130,000 and 45% to the City.

State Pier and Parking Lot Fund is used to account for the operation and maintenance of the Manhattan Beach Pier, comfort station and four adjacent parking lots. These properties are owned by the state but controlled by the City through an operating agreement.

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Assets:				
Pooled cash and investments	\$ 28,488	\$ 3,239,423	\$ 986,361	\$ 289,166
Receivables:				
Accounts	20,228	7,884	-	-
Due from other governments	-	104,816	30,780	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 48,716	\$ 3,352,123	\$ 1,017,141	\$ 289,166
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 48,716	\$ 31,944	\$ 22,505	\$ 96,240
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	48,716	31,944	22,505	96,240
Fund Balances:				
Restricted for:				
Public safety	-	-	994,636	192,926
Culture and recreation	-	-	-	-
Public works	-	3,320,179	-	-
Capital projects	-	-	-	-
Committed to:				
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	3,320,179	994,636	192,926
Total Liabilities and Fund Balances	\$ 48,716	\$ 3,352,123	\$ 1,017,141	\$ 289,166

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Federal and State Grants	Prop A	Prop C	AB 2766
Assets:				
Pooled cash and investments	\$ -	\$ 114,019	\$ 3,286,463	\$ 384,473
Receivables:				
Accounts	-	-	-	-
Due from other governments	22,488	-	-	10,914
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 22,488	\$ 114,019	\$ 3,286,463	\$ 395,387
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 6,591	\$ 16,932	\$ -
Deferred revenues	22,488	-	-	-
Deposits payable	-	-	-	-
Due to other funds	22,488	-	-	-
Total Liabilities	44,976	6,591	16,932	-
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	107,428	-	-
Public works	-	-	-	395,387
Capital projects	-	-	3,269,531	-
Committed to:				
Capital projects	-	-	-	-
Unassigned	(22,488)	-	-	-
Total Fund Balances	(22,488)	107,428	3,269,531	395,387
Total Liabilities and Fund Balances	\$ 22,488	\$ 114,019	\$ 3,286,463	\$ 395,387

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	
	Measure R	Underground Assessment District	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 810,259	\$ 195,896	\$ 9,334,548
Receivables:			
Accounts	-	-	28,112
Due from other governments	32,609	-	201,607
Restricted assets:			
Cash and investments with fiscal agents	-	390,884	390,884
Total Assets	\$ 842,868	\$ 586,780	\$ 9,955,151
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 222,928
Deferred revenues	-	-	22,488
Deposits payable	-	1,741	1,741
Due to other funds	-	-	22,488
Total Liabilities	-	1,741	269,645
Fund Balances:			
Restricted for:			
Public safety	-	-	1,187,562
Culture and recreation	-	-	107,428
Public works	842,868	-	4,558,434
Capital projects	-	-	3,269,531
Committed to:			
Capital projects	-	585,039	585,039
Unassigned	-	-	(22,488)
Total Fund Balances	842,868	585,039	9,685,506
Total Liabilities and Fund Balances	\$ 842,868	\$ 586,780	\$ 9,955,151

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Revenues:				
Taxes and assessments	\$ 376,240	\$ 151,389	\$ -	\$ -
Intergovernmental	-	1,096,884	75,900	100,000
Charges for services	-	-	-	-
Use of money and property	-	30,141	10,629	2,876
Miscellaneous	18,586	-	-	-
Total Revenues	394,826	1,278,414	86,529	102,876
Expenditures:				
Current:				
Public safety	-	-	136,258	112,599
Culture and recreation	-	-	-	-
Public works	596,117	-	-	-
Capital outlay	-	422,762	-	-
Total Expenditures	596,117	422,762	136,258	112,599
Excess (Deficiency) of Revenues Over (Under) Expenditures	(201,291)	855,652	(49,729)	(9,723)
Other Financing Sources (Uses):				
Transfers in	201,291	-	-	-
Total Other Financing Sources (Uses)	201,291	-	-	-
Net Change in Fund Balances	-	855,652	(49,729)	(9,723)
Fund Balances, Beginning of Year	-	2,464,527	1,044,365	202,649
Fund Balances, End of Year	\$ -	\$ 3,320,179	\$ 994,636	\$ 192,926

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Special Revenue Funds</u>			
	<u>Federal and State Grants</u>	<u>Prop A</u>	<u>Prop C</u>	<u>AB 2766</u>
Revenues:				
Taxes and assessments	\$ -	\$ 537,362	\$ 446,750	\$ -
Intergovernmental	534,522	-	-	44,214
Charges for services	-	10,995	-	-
Use of money and property	-	622	33,259	3,971
Miscellaneous	-	115,025	-	-
Total Revenues	534,522	664,004	480,009	48,185
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	636,860	-	-
Public works	-	-	-	10,386
Capital outlay	534,522	-	38,166	-
Total Expenditures	534,522	636,860	38,166	10,386
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	27,144	441,843	37,799
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	27,144	441,843	37,799
Fund Balances, Beginning of Year	(22,488)	80,284	2,827,688	357,588
Fund Balances, End of Year	\$ (22,488)	\$ 107,428	\$ 3,269,531	\$ 395,387

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
	<u>Measure R</u>	<u>Underground Assessment District</u>	
Revenues:			
Taxes and assessments	\$ 332,133	\$ -	\$ 1,843,874
Intergovernmental	-	-	1,851,520
Charges for services	-	-	10,995
Use of money and property	7,903	224	89,625
Miscellaneous	-	174,620	308,231
Total Revenues	340,036	174,844	4,104,245
Expenditures:			
Current:			
Public safety	-	-	248,857
Culture and recreation	-	-	636,860
Public works	-	-	606,503
Capital outlay	-	-	995,450
Total Expenditures	-	-	2,487,670
Excess (Deficiency) of Revenues Over (Under) Expenditures	340,036	174,844	1,616,575
Other Financing Sources (Uses):			
Transfers in	-	-	201,291
Total Other Financing Sources (Uses)	-	-	201,291
Net Change in Fund Balances	340,036	174,844	1,817,866
Fund Balances, Beginning of Year	502,832	410,195	7,867,640
Fund Balances, End of Year	\$ 842,868	\$ 585,039	\$ 9,685,506

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING AND LANDSCAPE
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes and assessments	378,619	378,619	376,240	(2,379)
Miscellaneous	18,445	18,445	18,586	141
Transfers in	186,587	186,587	201,291	14,704
Amounts Available for Appropriation	583,651	583,651	596,117	12,466
Charges to Appropriation (Outflow):				
Public works	583,651	587,151	596,117	(8,966)
Total Charges to Appropriations	583,651	587,151	596,117	(8,966)
Budgetary Fund Balance, June 30	\$ -	\$ (3,500)	\$ -	\$ 3,500

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

GAS TAX

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,464,527	\$ 2,464,527	\$ 2,464,527	\$ -
Resources (Inflows):				
Taxes and assessments	-	-	151,389	151,389
Intergovernmental	1,341,867	1,341,867	1,096,884	(244,983)
Use of money and property	39,300	39,300	30,141	(9,159)
Amounts Available for Appropriation	3,845,694	3,845,694	3,742,941	(102,753)
Charges to Appropriation (Outflow):				
Capital outlay	2,620,530	3,837,467	422,762	3,414,705
Total Charges to Appropriations	2,620,530	3,837,467	422,762	3,414,705
Budgetary Fund Balance, June 30	\$ 1,225,164	\$ 8,227	\$ 3,320,179	\$ 3,311,952

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,044,365	\$ 1,044,365	\$ 1,044,365	\$ -
Resources (Inflows):				
Intergovernmental	-	-	75,900	75,900
Use of money and property	15,600	15,600	10,629	(4,971)
Amounts Available for Appropriation	1,059,965	1,059,965	1,130,894	70,929
Charges to Appropriation (Outflow):				
Public safety	217,363	233,136	136,258	96,878
Capital outlay	110,000	110,000	-	110,000
Total Charges to Appropriations	327,363	343,136	136,258	206,878
Budgetary Fund Balance, June 30	\$ 732,602	\$ 716,829	\$ 994,636	\$ 277,807

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY GRANTS
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 202,649	\$ 202,649	\$ 202,649	\$ -
Resources (Inflows):				
Intergovernmental	-	-	100,000	100,000
Use of money and property	2,600	2,600	2,876	276
Amounts Available for Appropriation	205,249	205,249	305,525	100,276
Charges to Appropriation (Outflow):				
Public safety	-	310,000	112,599	197,401
Total Charges to Appropriations	-	310,000	112,599	197,401
Budgetary Fund Balance, June 30	\$ 205,249	\$ (104,751)	\$ 192,926	\$ 297,677

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
FEDERAL AND STATE GRANTS
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (22,488)	\$ (22,488)	\$ (22,488)	\$ -
Resources (Inflows):				
Intergovernmental	-	534,522	534,522	-
Amounts Available for Appropriation	(22,488)	512,034	512,034	-
Charges to Appropriation (Outflow):				
Capital outlay	-	3,569,145	534,522	3,034,623
Total Charges to Appropriations	-	3,569,145	534,522	3,034,623
Budgetary Fund Balance, June 30	\$ (22,488)	\$ (3,057,111)	\$ (22,488)	\$ 3,034,623

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 80,284	\$ 80,284	\$ 80,284	\$ -
Resources (Inflows):				
Taxes and assessments	499,600	499,600	537,362	37,762
Charges for services	10,000	10,000	10,995	995
Use of money and property	600	600	622	22
Miscellaneous	113,000	113,000	115,025	2,025
Transfers in	-	-	-	-
Amounts Available for Appropriation	703,484	703,484	744,288	40,804
Charges to Appropriation (Outflow):				
Culture and recreation	655,689	624,371	636,860	(12,489)
Total Charges to Appropriations	655,689	624,371	636,860	(12,489)
Budgetary Fund Balance, June 30	\$ 47,795	\$ 79,113	\$ 107,428	\$ 28,315

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,827,688	\$ 2,827,688	\$ 2,827,688	\$ -
Resources (Inflows):				
Taxes and assessments	418,300	418,300	446,750	28,450
Use of money and property	41,700	41,700	33,259	(8,441)
Amounts Available for Appropriation	3,287,688	3,287,688	3,307,697	20,009
Charges to Appropriation (Outflow):				
Public works	11,974	11,974	-	11,974
Capital outlay	958,236	1,839,233	38,166	1,801,067
Total Charges to Appropriations	970,210	1,851,207	38,166	1,813,041
Budgetary Fund Balance, June 30	\$ 2,317,478	\$ 1,436,481	\$ 3,269,531	\$ 1,833,050

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 357,588	\$ 357,588	\$ 357,588	\$ -
Resources (Inflows):				
Intergovernmental	42,900	42,900	44,214	1,314
Use of money and property	5,100	5,100	3,971	(1,129)
Amounts Available for Appropriation	405,588	405,588	405,773	185
Charges to Appropriation (Outflow):				
Public works	7,868	7,868	10,386	(2,518)
Capital outlay	-	100,000	-	100,000
Total Charges to Appropriations	7,868	107,868	10,386	97,482
Budgetary Fund Balance, June 30	\$ 397,720	\$ 297,720	\$ 395,387	\$ 97,667

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 502,832	\$ 502,832	\$ 502,832	\$ -
Resources (Inflows):				
Taxes and assessments	274,500	274,500	332,133	57,633
Use of money and property	4,600	4,600	7,903	3,303
Amounts Available for Appropriation	781,932	781,932	842,868	60,936
Charges to Appropriation (Outflow):				
Capital outlay	400,000	-	-	-
Total Charges to Appropriations	400,000	-	-	-
Budgetary Fund Balance, June 30	\$ 381,932	\$ 781,932	\$ 842,868	\$ 60,936

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,612,490	\$ 5,612,490	\$ 5,612,490	\$ -
Resources (Inflows):				
Taxes and assessments	488,815	488,815	471,511	(17,304)
Licenses and permits	7,000	7,000	3,634	(3,366)
Intergovernmental	735,934	735,934	-	(735,934)
Charges for services	626,385	626,385	690,376	63,991
Use of money and property	53,095	53,095	61,374	8,279
Fines and forfeitures	113,600	113,600	115,968	2,368
Miscellaneous	1,000,000	1,000,000	1,093	(998,907)
Transfers in	3,250,000	3,000,000	3,000,000	-
Amounts Available for Appropriation	11,887,319	11,637,319	9,956,446	(1,680,873)
Charges to Appropriation (Outflow):				
General government	7,000	7,000	-	7,000
Capital outlay	1,300,000	6,242,398	3,277,046	2,965,352
Debt service:				
Principal retirement	275,000	275,000	275,000	-
Interest and fiscal charges	545,676	545,676	539,393	6,283
Total Charges to Appropriations	2,127,676	7,070,074	4,091,439	2,978,635
Budgetary Fund Balance, June 30	\$ 9,759,643	\$ 4,567,245	\$ 5,865,007	\$ 1,297,762

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 UNDERGROUND ASSESSMENT DISTRICT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 410,195	\$ 410,195	\$ 410,195	\$ -
Resources (Inflows):				
Use of money and property	400	400	224	(176)
Miscellaneous	-	-	174,620	174,620
Amounts Available for Appropriation	410,595	410,595	585,039	174,444
Budgetary Fund Balance, June 30	\$ 410,595	\$ 410,595	\$ 585,039	\$ 174,444

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF FUND NET ASSETS
 NON-MAJOR ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Stormwater</u>	<u>County Parking Lot</u>	<u>State Pier and Parking Lot</u>	<u>Totals</u>
Assets:				
Current:				
Cash and investments	\$ 1,356,042	\$ 220,636	\$ 2,368,318	\$ 3,944,996
Receivables:				
Accounts	15,960	-	-	15,960
Total Current Assets	1,372,002	220,636	2,368,318	3,960,956
Noncurrent:				
Prepaid other post-employment benefits	9,513	3,805	3,805	17,123
Capital assets - net of accumulated depreciation	3,499,780	-	-	3,499,780
Total Noncurrent Assets	3,509,293	3,805	3,805	3,516,903
Total Assets	\$ 4,881,295	\$ 224,441	\$ 2,372,123	\$ 7,477,859
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 33,819	\$ 220,636	\$ 265,647	\$ 520,102
Total Current Liabilities	33,819	220,636	265,647	520,102
Total Liabilities	33,819	220,636	265,647	520,102
Net Assets:				
Invested in capital assets, net of related debt	3,499,780	-	-	3,499,780
Unrestricted	1,347,696	3,805	2,106,476	3,457,977
Total Net Assets	4,847,476	3,805	2,106,476	6,957,757
Total Liabilities and Net Assets	\$ 4,881,295	\$ 224,441	\$ 2,372,123	\$ 7,477,859

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	Stormwater	County Parking Lot	State Pier and Parking Lot	Totals
Operating Revenues:				
Sales and service charges	\$ 345,360	\$ 569,694	\$ 507,153	\$ 1,422,207
Miscellaneous	7,500	-	-	7,500
Total Operating Revenues	352,860	569,694	507,153	1,429,707
Operating Expenses:				
Salaries and wages	73,146	11,529	11,531	96,206
Employee benefits	27,057	6,199	6,218	39,474
Contract and professional services	97,849	35,088	185,156	318,093
Materials and services	392,872	8,912	330,819	732,603
Utilities	12,623	5,049	39,739	57,411
Administrative service charges	-	37,800	98,436	136,236
Leases and Rents	-	313,332	-	313,332
Depreciation expense	147,167	-	-	147,167
Total Operating Expenses	750,714	417,909	671,899	1,840,522
Operating Income (Loss)	(397,854)	151,785	(164,746)	(410,815)
Nonoperating Revenues (Expenses):				
Interest revenue	10,994	-	18,336	29,330
OPEB amortization	(1,543)	(617)	(617)	(2,777)
Total Nonoperating Revenues (Expenses)	9,451	(617)	17,719	26,553
Income (Loss) Before Transfers	(388,403)	151,168	(147,027)	(384,262)
Transfers out	-	(151,784)	-	(151,784)
Changes in Net Assets	(388,403)	(616)	(147,027)	(536,046)
Net Assets:				
Beginning of Year	5,235,879	4,421	2,253,503	7,493,803
End of Fiscal Year	\$ 4,847,476	\$ 3,805	\$ 2,106,476	\$ 6,957,757

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	Stormwater	County Parking Lot	State Pier and Parking Lot	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 352,869	\$ 569,697	\$ 504,250	\$ 1,426,816
Cash received from/(paid to) interfund service provided	(396,056)	(44,539)	(137,877)	(578,472)
Cash paid to suppliers for goods and services	(124,049)	(299,284)	(269,788)	(693,121)
Cash paid to employees for services	(93,436)	(15,518)	(15,518)	(124,472)
Net Cash Provided (Used) by Operating Activities	(260,672)	210,356	81,067	30,751
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	(151,784)	-	(151,784)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(151,784)	-	(151,784)
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(77)	-	-	(77)
Net Cash Provided (Used) by Capital and Related Financing Activities	(77)	-	-	(77)
Cash Flows from Investing Activities:				
Interest received	10,994	-	18,336	29,330
Net Cash Provided (Used) by Investing Activities	10,994	-	18,336	29,330
Net Increase (Decrease) in Cash and Cash Equivalents	(249,755)	58,572	99,403	(91,780)
Cash and Cash Equivalents at Beginning of Year	1,605,797	162,064	2,268,915	4,036,776
Cash and Cash Equivalents at End of Year	\$ 1,356,042	\$ 220,636	\$ 2,368,318	\$ 3,944,996
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (397,854)	\$ 151,785	\$ (164,746)	\$ (410,815)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	147,167	-	-	147,167
(Increase) decrease in accounts receivable	9	-	-	9
Increase (decrease) in accounts payable	(9,994)	58,571	245,813	294,390
Total Adjustments	137,182	58,571	245,813	441,566
Net Cash Provided (Used) by Operating Activities	\$ (260,672)	\$ 210,356	\$ 81,067	\$ 30,751

CITY OF MANHATTAN BEACH

JUNE 30, 2012

INTERNAL SERVICE FUNDS

Internal Service Funds have been established to finance, administer and account for the provision of goods and services to all funds and all departments on a cost-reimbursement basis.

Insurance Reserve Fund is used to account for the City's self-insured workers' compensation and general liability programs. The fund collects premiums from departments based on claims history.

Information Systems Fund is used to account for the operation, maintenance and replacement of the City's Information Systems including the City wide network and related hardware and software. Revenues are generated from charges to departments based on the number of PCs in use.

Fleet Management Fund is used to account for the operation, maintenance and replacement of City vehicles. Revenues are generated from vehicle rental charges to departments based upon the number, type and age of vehicles utilized.

Building Maintenance and Operations Fund is used to account for the operation and maintenance of certain City facilities. Revenues are generated by charges to user departments based on the number of personnel in the department.

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Assets:					
Current:					
Cash and investments	\$ 10,463,629	\$ 426,817	\$ 3,163,588	\$ 104,677	\$ 14,158,711
Prepaid costs	-	2,300	29,255	-	31,555
Inventories	-	-	-	110,130	110,130
Total Current Assets	10,463,629	429,117	3,192,843	214,807	14,300,396
Noncurrent:					
Prepaid other post-employment benefits	19,024	38,047	38,047	38,047	133,165
Capital assets - net of accumulated depreciation	-	-	2,059,164	-	2,059,164
Total Noncurrent Assets	19,024	38,047	2,097,211	38,047	2,192,329
Total Assets	\$ 10,482,653	\$ 467,164	\$ 5,290,054	\$ 252,854	\$ 16,492,725
Liabilities and Net Assets:					
Liabilities:					
Current:					
Accounts payable	\$ 10,532	\$ 33,307	\$ 76,237	\$ 104,677	\$ 224,753
Workers' compensation claims	5,192,248	-	-	-	5,192,248
Accrued claims and judgments	1,382,276	-	-	-	1,382,276
Total Current Liabilities	6,585,056	33,307	76,237	104,677	6,799,277
Noncurrent:					
Workers' compensation claims	2,167,021	-	-	-	2,167,021
Accrued claims and judgments	963,143	-	-	-	963,143
Total Noncurrent Liabilities	3,130,164	-	-	-	3,130,164
Total Liabilities	9,715,220	33,307	76,237	104,677	9,929,441
Net Assets:					
Invested in capital assets, net of related debt	-	-	2,059,164	-	2,059,164
Unrestricted	767,433	433,857	3,154,653	148,177	4,504,120
Total Net Assets	767,433	433,857	5,213,817	148,177	6,563,284
Total Liabilities and Net Assets	\$ 10,482,653	\$ 467,164	\$ 5,290,054	\$ 252,854	\$ 16,492,725

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
Operating Revenues:					
Sales and service charges	\$ 3,998,724	\$ 1,192,392	\$ 2,242,592	\$ 1,318,575	\$ 8,752,283
Miscellaneous	185,709	-	24,781	-	210,490
Total Operating Revenues	4,184,433	1,192,392	2,267,373	1,318,575	8,962,773
Operating Expenses:					
Salaries and wages	143,862	509,800	211,779	247,647	1,113,088
Employee benefits	57,048	139,376	238,017	94,671	529,112
Contract and professional services	24,032	186,541	50,266	568,139	828,978
Materials and services	405,037	403,956	649,362	336,418	1,794,773
Utilities	7,892	2,593	-	94,436	104,921
Claims expense	4,960,809	-	-	-	4,960,809
Depreciation expense	-	-	577,852	-	577,852
Total Operating Expenses	5,598,680	1,242,266	1,727,276	1,341,311	9,909,533
Operating Income (Loss)	(1,414,247)	(49,874)	540,097	(22,736)	(946,760)
Nonoperating Revenues (Expenses):					
Miscellaneous	-	-	-	-	-
OPEB amortization	(3,086)	(6,172)	(6,172)	(6,172)	(21,602)
Gain (loss) on disposal of fixed assets	-	-	3,640	-	3,640
Total Nonoperating Revenues (Expenses)	(3,086)	(6,172)	(2,532)	(6,172)	(17,962)
Income (Loss)	(1,417,333)	(56,046)	537,565	(28,908)	(964,722)
Changes in Net Assets	(1,417,333)	(56,046)	537,565	(28,908)	(964,722)
Net Assets:					
Beginning of Year	2,184,766	489,903	4,676,252	177,085	7,528,006
End of Fiscal Year	\$ 767,433	\$ 433,857	\$ 5,213,817	\$ 148,177	\$ 6,563,284

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 186,285	\$ -	\$ 24,886	\$ 14	\$ 211,185
Cash received from/(paid to) interfund service provided	3,571,362	1,081,603	1,917,010	1,142,712	7,712,687
Cash paid to suppliers for goods and services	(2,851,021)	(530,539)	(527,210)	(758,367)	(4,667,137)
Cash paid to employees for services	(183,713)	(605,654)	(268,298)	(309,694)	(1,367,359)
Net Cash Provided (Used) by Operating Activities	722,913	(54,590)	1,146,388	74,665	1,889,376
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	-	-	(339,152)	-	(339,152)
Cash from sale of assets	-	-	3,640	-	3,640
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(335,512)	-	(335,512)
Net Increase (Decrease) in Cash and Cash Equivalents	722,913	(54,590)	810,876	74,665	1,553,864
Cash and Cash Equivalents at Beginning of Year	9,740,716	481,407	2,352,712	30,012	12,604,847
Cash and Cash Equivalents at End of Year	\$ 10,463,629	\$ 426,817	\$ 3,163,588	\$ 104,677	\$ 14,158,711
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (1,414,247)	\$ (49,874)	\$ 540,097	\$ (22,736)	\$ (946,760)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	-	577,852	-	577,852
(Increase) decrease in inventory	-	(2,300)	(29,255)	22,736	(8,819)
Increase (decrease) in accounts payable	(23,672)	(2,416)	57,694	74,665	106,271
Increase (decrease) in claims and judgments	2,160,832	-	-	-	2,160,832
Total Adjustments	2,137,160	(4,716)	606,291	97,401	2,836,136
Net Cash Provided (Used) by Operating Activities	\$ 722,913	\$ (54,590)	\$ 1,146,388	\$ 74,665	\$ 1,889,376

CITY OF MANHATTAN BEACH

JUNE 30, 2012

AGENCY FUNDS

Agency funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

Special Assessment Redemption Fund is used to account for special assessment collections for debt service for the underground assessment bonds that the City remits to the fiscal agent.

Special Deposits Fund is used to account for 401(a) plan deposits, utility development deposits, art development fees and other miscellaneous deposits.

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 JUNE 30, 2012

	<u>Special Assessment Redemption</u>	<u>Special Deposits</u>	<u>Totals</u>
Assets:			
Pooled cash and investments	\$ 732,171	\$ 468,798	\$ 1,200,969
Receivables:			
Accounts	50,892	-	50,892
Restricted assets:			
Cash and investments with fiscal agents	968,763	2,049,911	3,018,674
Total Assets	<u>\$ 1,751,826</u>	<u>\$ 2,518,709</u>	<u>\$ 4,270,535</u>
Liabilities:			
Accounts payable	\$ -	\$ 11,637	\$ 11,637
401 (a) plan deposits	-	2,045,723	2,045,723
Other deposits	-	66,552	66,552
Art development fees	-	394,797	394,797
Due to bondholders	1,751,826	-	1,751,826
Total Liabilities	<u>\$ 1,751,826</u>	<u>\$ 2,518,709</u>	<u>\$ 4,270,535</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
<u>Special Assessment Redemption</u>				
Assets:				
Pooled cash and investments	\$ 820,604	\$ 983,135	\$ 1,071,568	\$ 732,171
Receivables:				
Accounts	28,550	50,892	28,550	50,892
Restricted assets:				
Cash and investments with fiscal agents	985,670	1,080,549	1,097,456	968,763
Total Assets	<u>\$ 1,834,824</u>	<u>\$ 2,114,576</u>	<u>\$ 2,197,574</u>	<u>\$ 1,751,826</u>
Liabilities:				
Due to bondholders	\$ 1,834,824	\$ 2,114,576	\$ 2,197,574	\$ 1,751,826
Total Liabilities	<u>\$ 1,834,824</u>	<u>\$ 2,114,576</u>	<u>\$ 2,197,574</u>	<u>\$ 1,751,826</u>
<u>Special Deposits</u>				
Assets:				
Pooled cash and investments	\$ 380,703	\$ 397,270	\$ 309,175	\$ 468,798
Restricted assets:				
Cash and investments with fiscal agents	1,922,638	128,778	1,505	2,049,911
Total Assets	<u>\$ 2,303,341</u>	<u>\$ 526,048</u>	<u>\$ 310,680</u>	<u>\$ 2,518,709</u>
Liabilities:				
Accounts payable	\$ 10,180	\$ 23,284	\$ 21,827	\$ 11,637
401 (a) plan deposits	1,916,946	128,777	-	2,045,723
Other deposits	80,243	264,233	277,924	66,552
Art development fees	295,972	133,037	34,212	394,797
Total Liabilities	<u>\$ 2,303,341</u>	<u>\$ 549,331</u>	<u>\$ 333,963</u>	<u>\$ 2,518,709</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 1,201,307	\$ 1,380,405	\$ 1,380,743	\$ 1,200,969
Receivables:				
Accounts	28,550	50,892	28,550	50,892
Restricted assets:				
Cash and investments with fiscal agents	2,908,308	1,209,327	1,098,961	3,018,674
Total Assets	<u>\$ 4,138,165</u>	<u>\$ 2,640,624</u>	<u>\$ 2,508,254</u>	<u>\$ 4,270,535</u>
Liabilities:				
Accounts payable	\$ 10,180	\$ 23,284	\$ 21,827	\$ 11,637
401 (a) plan deposits	1,916,946	128,777	-	2,045,723
Other deposits	80,243	264,233	277,924	66,552
Art development fees	295,972	133,037	34,212	394,797
Due to bondholders	1,834,824	2,114,576	2,197,574	1,751,826
Total Liabilities	<u>\$ 4,138,165</u>	<u>\$ 2,663,907</u>	<u>\$ 2,531,537</u>	<u>\$ 4,270,535</u>



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Statistical Section

Statistical Section (Unaudited)

This part of the City's Statistical's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Exhibits

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

A-2 to A-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.

A-6 to A-14

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

A-15 to A-18

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

A-19 to A-21

Operating & Other Information

These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

A-22 to A-25

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in FY2002-2003; schedules presenting government-wide information include information beginning in that year. Where ever possible and practical the City provided historical data as far back as ten years.*



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Statistical Section

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

City of Manhattan Beach
Net Assets by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 59,985,188	\$ 66,438,114	\$ 70,373,993	\$ 87,848,227	\$ 93,644,407
Restricted:					
Debt Service & Restricted Cash	53,044	1,721,635	19,119,420	10,676,274	2,801,554
Special Revenue Funds	<u>5,684,527</u>	<u>6,007,476</u>	<u>5,493,705</u>	<u>5,659,610</u>	<u>5,209,486</u>
Total Restricted	<u>5,737,571</u>	<u>7,729,111</u>	24,613,125	16,335,884	\$ 8,011,040
Unrestricted	<u>44,596,565</u>	<u>43,126,116</u>	<u>26,283,278</u>	<u>24,859,010</u>	<u>28,892,839</u>
Total governmental activities net assets	<u>\$ 110,319,324</u>	<u>\$ 117,293,341</u>	<u>\$ 121,270,396</u>	<u>\$ 129,043,121</u>	<u>\$ 130,548,286</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 9,377,225	\$ 17,103,437	\$ 17,903,955	\$ 21,672,031	\$ 23,447,692
Restricted:					
Business Improvement district	365,477	396,198	427,607	461,754	536,856
Debt Service & Restricted Cash	<u>10,948,468</u>	<u>3,922,930</u>	<u>3,648,074</u>	<u>1,400,471</u>	<u>1,210,265</u>
Total Restricted	\$11,313,945	\$4,319,128	\$4,075,681	\$1,862,225	\$1,747,121
Unrestricted	<u>13,196,941</u>	<u>14,230,043</u>	<u>14,842,196</u>	<u>14,888,040</u>	<u>14,310,331</u>
Total business-type activities net assets	<u>\$ 33,888,111</u>	<u>\$ 35,652,608</u>	<u>\$ 36,821,832</u>	<u>\$ 38,422,296</u>	<u>\$ 39,505,144</u>
Primary government					
Invested in capital assets, net of related debt	\$ 69,362,413	\$ 83,541,551	\$ 88,277,948	\$ 109,520,258	\$ 117,092,099
Restricted:					
Business Improvement district	365,477	396,198	427,607	461,754	536,856
Debt Service & Restricted Cash	11,001,512	5,644,565	22,767,494	12,076,745	4,011,819
Special Revenue Funds	<u>5,684,527</u>	<u>6,007,476</u>	<u>5,493,705</u>	<u>5,659,610</u>	<u>5,209,486</u>
Total Restricted	<u>\$17,051,516</u>	<u>\$12,048,239</u>	<u>\$28,688,806</u>	<u>\$18,198,109</u>	<u>\$9,758,161</u>
Unrestricted	<u>57,793,506</u>	<u>57,356,159</u>	<u>41,125,474</u>	<u>39,747,050</u>	<u>43,203,170</u>
Total primary government net assets	<u>\$ 144,207,435</u>	<u>\$ 152,945,949</u>	<u>\$ 158,092,228</u>	<u>\$ 167,465,417</u>	<u>\$ 170,053,430</u>

Fiscal Year Ending				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 94,464,084	\$ 95,603,960	\$ 94,713,693	\$ 93,795,303	\$ 93,795,301
3,255,752	2,062,149	1,960,662	1,999,346	2,062,187
<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>	<u>7,479,933</u>	<u>9,122,955</u>
\$ 8,547,744	\$ 8,065,815	\$ 8,611,954	\$ 9,479,279	\$ 11,185,142
<u>28,048,237</u>	<u>27,972,613</u>	<u>29,916,356</u>	<u>31,513,669</u>	<u>29,224,129</u>
<u>\$ 131,060,065</u>	<u>\$ 131,642,388</u>	<u>\$ 133,242,003</u>	<u>\$ 134,788,251</u>	<u>\$ 134,204,572</u>
24,736,571	24,967,604	25,485,791	27,111,091	28,293,829
555,569	598,329	508,617	517,072	523,928
<u>1,210,061</u>	<u>1,213,448</u>	<u>1,221,763</u>	<u>1,208,833</u>	<u>1,210,125</u>
\$1,765,630	\$1,811,777	\$1,730,380	\$1,725,905	\$1,734,053
<u>13,556,500</u>	<u>12,660,558</u>	<u>12,384,155</u>	<u>13,385,526</u>	<u>17,942,198</u>
<u>\$ 40,058,701</u>	<u>\$ 39,439,939</u>	<u>\$ 39,600,326</u>	<u>\$ 42,222,522</u>	<u>\$ 47,970,080</u>
\$ 119,200,655	\$ 120,571,564	\$ 120,199,484	\$ 120,906,394	\$ 122,089,130
555,569	598,329	508,617	517,072	523,928
4,465,813	3,275,597	3,182,425	3,208,179	3,272,312
<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>	<u>7,479,933</u>	<u>9,122,955</u>
\$10,313,374	\$9,877,592	\$10,342,334	\$11,205,184	\$12,919,195
<u>41,604,737</u>	<u>40,633,171</u>	<u>42,300,511</u>	<u>44,899,195</u>	<u>47,166,327</u>
<u>\$ 171,118,766</u>	<u>\$ 171,082,327</u>	<u>\$ 172,842,329</u>	<u>\$ 177,010,773</u>	<u>\$ 182,174,652</u>

City of Manhattan Beach
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental activities:					
General government	\$ 6,513,233	\$ 6,843,576	\$ 7,814,392	7,070,028	9,057,584
Public Safety	17,783,757	19,786,367	23,756,438	24,270,798	27,134,132
Culture and recreation	4,012,233	4,300,710	4,772,150	4,724,704	5,593,739
Public Works	6,444,626	6,596,160	10,355,400	10,380,032	19,721,241
Interest on long-term debt	128,240	137,993	574,108	875,519	990,298
Total governmental activities expenses	<u>34,882,089</u>	<u>37,664,806</u>	<u>47,272,488</u>	<u>47,321,081</u>	<u>62,496,994</u>
Business-type activities:					
Water	6,082,124	6,109,964	6,516,122	6,535,885	7,303,547
Stormwater	236,429	244,160	1,071,557	271,364	322,566
Wastewater	1,001,879	993,326	338,986	1,143,541	1,268,737
Refuse	3,090,089	3,147,820	3,430,815	3,692,611	3,858,401
Parking	1,612,275	1,442,174	1,476,255	1,623,963	1,973,300
Total business-type activities expenses	<u>12,022,796</u>	<u>11,937,444</u>	<u>12,833,735</u>	<u>13,267,364</u>	<u>14,726,551</u>
Total primary government expenses	<u>\$ 46,904,885</u>	<u>\$ 49,602,250</u>	<u>\$ 60,106,223</u>	<u>\$ 60,588,445</u>	<u>\$ 77,223,545</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	2,686,306	5,218,843	5,311,693	5,425,563	4,535,955
Public Safety	3,079,276	2,959,681	2,877,951	2,925,278	3,433,570
Parks and recreation	1,595,202	1,726,610	1,945,432	1,965,118	2,261,707
Public works	2,605,352	1,142,592	1,277,149	1,168,167	2,673,037
Operating grants and contributions	2,621,663	2,110,230	2,571,735	2,767,865	1,933,403
Capital grants and contributions	594,616	2,449,473	4,795,086	5,598,244	10,923,007
Total governmental activities program revenues	<u>13,182,415</u>	<u>15,607,429</u>	<u>18,779,046</u>	<u>19,850,235</u>	<u>25,760,679</u>
Business-type activities:					
Charges for services:					
Water	7,024,867	6,847,731	6,776,437	6,976,473	7,227,008
Stormwater	347,893	377,119	346,906	345,327	353,929
Wastewater	983,170	1,008,980	1,325,721	1,310,622	1,333,639
Refuse	3,070,807	3,224,821	3,531,951	3,684,121	3,866,381
Parking	1,546,932	1,672,173	1,672,347	1,781,333	2,108,255
Operating grants and contributions	25,810	11,230	20,088	19,758	10,861
Capital grants and contributions	400,000	198,959	21,807	-	-
Total business-type activities program revenues	<u>13,399,479</u>	<u>13,341,013</u>	<u>13,695,257</u>	<u>14,117,634</u>	<u>14,900,073</u>
Total primary government program revenues	<u>\$ 26,581,894</u>	<u>\$ 28,948,442</u>	<u>\$ 32,474,303</u>	<u>\$ 33,967,869</u>	<u>\$ 40,660,752</u>

Exhibit A-3

Fiscal Year Ending				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
9,090,991	9,528,102	10,308,925	9,464,347	9,489,937
31,752,170	29,889,347	28,879,836	30,686,086	32,190,597
6,031,938	5,811,982	5,853,076	6,018,205	5,761,135
8,675,214	8,460,078	7,906,172	8,338,105	8,369,506
1,178,065	954,861	811,710	769,374	820,494
<u>56,728,378</u>	<u>54,644,370</u>	<u>53,759,719</u>	<u>55,276,117</u>	<u>56,631,669</u>
7,500,615	7,844,741	8,214,250	8,326,398	8,523,452
418,088	550,234	374,513	410,188	752,257
1,279,325	1,938,298	1,685,881	1,692,812	1,740,453
3,888,615	4,212,176	4,282,026	4,386,842	4,205,443
2,392,802	2,082,830	2,190,580	2,352,386	2,888,269
<u>15,479,445</u>	<u>16,628,279</u>	<u>16,747,250</u>	<u>17,168,626</u>	<u>18,109,874</u>
<u>\$ 72,207,823</u>	<u>\$ 71,272,649</u>	<u>\$ 70,506,969</u>	<u>\$ 72,444,743</u>	<u>\$ 74,741,543</u>
4,265,277	3,881,178	4,085,381	3,883,959	4,223,405
4,206,318	4,299,002	4,576,210	4,765,404	4,783,038
2,336,374	2,449,945	2,577,883	3,029,554	2,805,841
2,683,443	2,492,418	2,512,225	3,440,572	4,134,599
2,250,606	2,078,062	2,224,949	1,322,867	1,183,103
679,865	1,105,439	1,399,366	1,504,759	2,554,310
<u>16,421,883</u>	<u>16,306,044</u>	<u>17,376,014</u>	<u>17,947,115</u>	<u>19,684,296</u>
6,860,563	7,380,055	7,887,900	9,557,717	12,578,908
338,208	347,162	360,926	347,602	352,860
1,275,553	1,317,713	1,820,756	2,620,669	3,087,150
3,816,699	4,082,292	4,110,342	4,189,639	4,363,739
2,066,617	2,094,179	2,544,834	3,008,206	3,396,749
90,853	458,769	-	19,638	33,209
900,000	-	57,398	-	-
<u>15,348,493</u>	<u>15,680,170</u>	<u>16,782,156</u>	<u>19,743,471</u>	<u>23,812,615</u>
<u>\$ 31,770,376</u>	<u>\$ 31,986,214</u>	<u>\$ 34,158,170</u>	<u>\$ 37,690,586</u>	<u>\$ 43,496,911</u>

Source: City of Manhattan Beach Finance Department Historical CAFRs

City of Manhattan Beach
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense)/Revenue					
Governmental activities	\$ (21,699,674)	\$ (22,057,377)	\$ (28,493,442)	\$ (27,470,846)	\$ (36,736,315)
Business-type activities	1,376,683	1,403,569	861,522	850,270	173,522
Total primary government net expense	<u>\$ (20,322,991)</u>	<u>\$ (20,653,808)</u>	<u>\$ (27,631,920)</u>	<u>\$ (26,620,576)</u>	<u>\$ (36,562,793)</u>
General Revenues and Other Changes					
Governmental activities:					
Taxes					
Property taxes	\$ 10,021,646	\$ 11,223,986	\$ 11,793,140	\$ 15,666,320	\$ 14,748,616
Sales taxes	6,936,919	7,262,693	7,903,191	8,072,906	8,104,778
Transient occupancy tax	2,040,428	2,183,162	2,449,326	3,186,359	3,665,741
Motor vehicle in lieu tax	2,082,765	1,634,713	2,472,372	835,709	2,753,900
Business license tax	2,017,533	2,134,588	2,316,232	2,501,180	2,464,239
Franchise taxes	904,080	929,251	903,490	1,149,740	1,200,503
Other taxes	767,583	1,009,327	1,003,916	1,001,386	788,348
Rental income	1,398,568	1,646,647	1,625,068	1,788,242	2,260,408
Investment earnings	1,675,884	667,020	707,298	835,352	2,075,875
Other	442,115	265,007	327,376	410,374	-
Transfers	2,099,544	75,000	143,000	(204,000)	26,000
Total governmental activities	<u>30,387,065</u>	<u>29,031,394</u>	<u>31,644,409</u>	<u>35,243,568</u>	<u>38,088,408</u>
Business-type activities:					
Investment earnings	528,091	302,082	450,702	546,197	935,323
Transfers	(2,099,544)	(75,000)	(143,000)	204,000	(26,000)
Other	6,542	-	-	-	-
Total business-type activities	<u>(1,571,453)</u>	<u>227,082</u>	<u>307,702</u>	<u>750,197</u>	<u>909,323</u>
Total primary government	<u>\$ 28,815,612</u>	<u>\$ 29,258,476</u>	<u>\$ 31,952,111</u>	<u>\$ 35,993,765</u>	<u>\$ 38,997,731</u>
Change in Net Assets					
Governmental activities	\$ 8,687,391	\$ 6,974,017	\$ 3,150,967	\$ 7,772,722	\$ 1,352,093
Business-type activities	(194,770)	1,630,651	1,169,224	1,600,467	1,082,845
Total primary government	<u>\$ 8,492,621</u>	<u>\$ 8,604,668</u>	<u>\$ 4,320,191</u>	<u>\$ 9,373,189</u>	<u>\$ 2,434,938</u>

Exhibit A-3
Continued

Fiscal Year Ending				
2008	2009	2010	2011	2012
\$ (40,306,495)	\$ (38,338,326)	\$ (36,383,705)	\$ (37,329,002)	\$ (36,947,373)
(130,952)	(948,109)	34,906	2,574,845	5,702,741
<u>\$ (40,437,447)</u>	<u>\$ (39,286,435)</u>	<u>\$ (36,348,799)</u>	<u>\$ (34,754,157)</u>	<u>\$ (31,244,632)</u>
\$ 18,567,451	\$ 19,930,492	\$ 20,006,558	\$ 19,791,425	\$ 20,408,314
8,230,387	7,436,912	7,646,109	8,148,688	8,788,599
3,995,411	3,507,775	3,174,319	3,229,823	3,240,364
157,143	105,883	108,815	118,296	95,915
2,747,098	2,767,070	2,783,641	2,844,066	3,018,177
1,168,383	1,185,406	1,220,171	1,289,443	1,335,815
439,104	325,001	356,367	473,275	521,274
2,201,037	2,021,352	1,925,895	2,029,355	2,087,648
2,088,549	1,385,481	476,463	696,066	603,334
1,254,482	145,047	150,229	148,451	151,219
(30,771)	110,230	134,753	106,362	99,884
<u>40,818,274</u>	<u>38,920,649</u>	<u>37,983,320</u>	<u>38,875,250</u>	<u>40,350,543</u>
874,003	439,576	260,234	153,713	144,701
30,771	(110,230)	(134,753)	(106,362)	(99,884)
<u>904,774</u>	<u>329,346</u>	<u>125,481</u>	<u>47,351</u>	<u>44,817</u>
<u>\$ 41,723,048</u>	<u>\$ 39,249,995</u>	<u>\$ 38,108,801</u>	<u>\$ 38,922,601</u>	<u>\$ 40,395,360</u>
\$ 511,779	\$ 582,323	\$ 1,599,615	\$ 1,546,248	\$ 3,403,170
773,822	(618,763)	160,387	2,622,196	5,747,558
<u>\$ 1,285,601</u>	<u>\$ (36,440)</u>	<u>\$ 1,760,002</u>	<u>\$ 4,168,444</u>	<u>\$ 9,150,728</u>

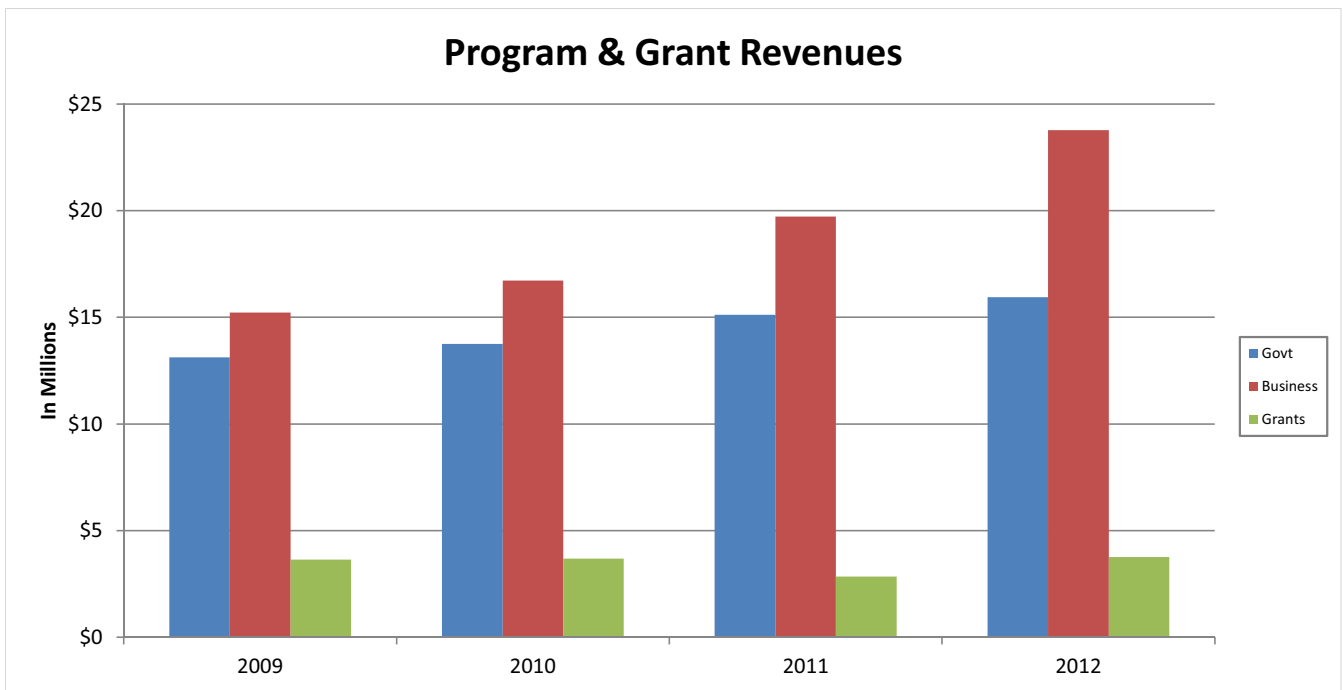


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City of Manhattan Beach
Program Revenues by Function/Program,
Last Four Fiscal Years
(accrual basis of accounting)

Exhibit A-4

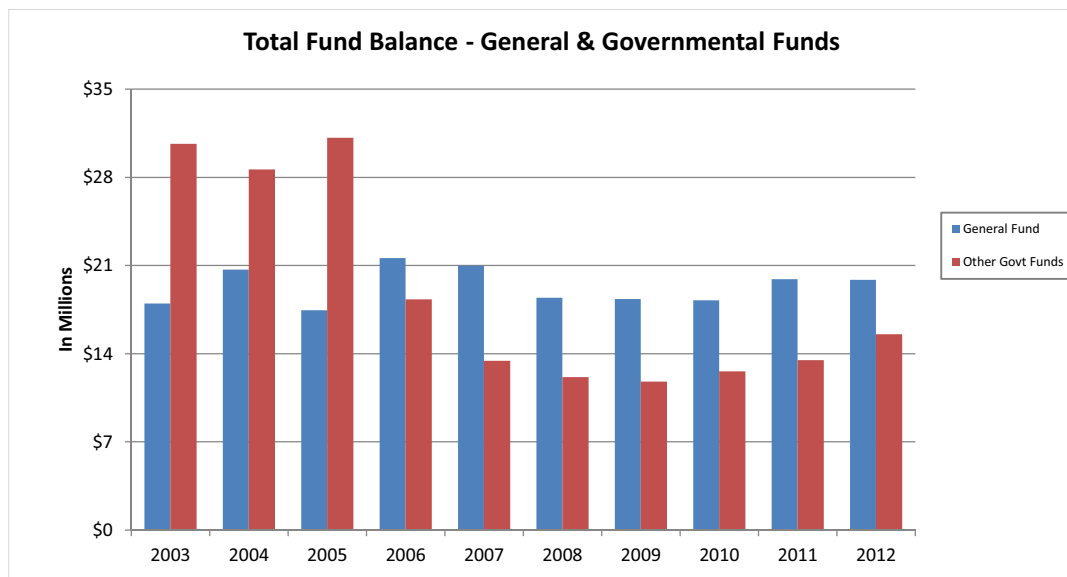
	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	3,881,178	4,085,381	3,883,959	4,223,405
Public Safety	4,299,002	4,576,210	4,765,404	4,783,038
Culture and recreation	2,449,945	2,577,883	3,029,554	2,805,841
Public works	2,492,418	2,512,225	3,440,572	4,134,599
Operating grants and contributions	2,078,062	2,224,949	1,322,867	1,183,103
Capital grants and contributions	1,105,439	1,399,366	1,504,759	2,554,310
Total governmental activities program revenues	16,306,044	17,376,014	17,947,115	19,684,296
Business-type activities:				
Charges for services:				
Water	7,380,055	7,887,900	9,557,717	12,578,908
Stormwater	347,162	360,926	347,602	352,860
Wastewater	1,317,713	1,820,756	2,620,669	3,087,150
Refuse	4,082,292	4,110,342	4,189,639	4,363,739
Parking	2,094,179	2,544,834	3,008,206	3,396,749
Operating grants and contributions	458,769	-	19,638	33,209
Capital grants and contributions	-	57,398	-	-
Total business-type activities program revenues	15,680,170	16,782,156	19,743,471	23,812,615
Total primary government program revenues	\$ 31,986,214	\$ 34,158,170	\$ 37,690,586	\$ 43,496,911



Source: City of Manhattan Beach Finance department historical CAFRs

City of Manhattan Beach
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved					
Debt service & restricted cash	\$ 178,062	\$ 62,496	\$ 49,300	\$ 404,204	\$ 972,422
Encumbrances & other items	648,740	373,242	1,025,189	646,111	507,096
Unreserved	17,143,116	20,231,796	16,365,761	20,528,738	19,499,495
Nonspendable					
Prepaid costs				-	-
Notes and loans				-	-
Restricted					
Debt service & restricted cash				-	-
Unassigned				-	-
Total General fund	\$ 17,969,918	\$ 20,667,534	\$ 17,440,250	\$ 21,579,053	\$ 20,979,013
All Other Governmental Funds					
Reserved					
Continuing Projects	\$2,429,186	\$3,894,588	\$7,795,003	\$9,916,842	\$6,094,070
Debt service & restricted cash	1,026,300	1,579,976	19,170,120	935,696	817,081
Encumbrances & other items	3,475	268,195	8,148	218,926	9,427
Unreserved, reported in:					
Special revenue funds	3,428,545	3,022,824	2,438,704	2,111,598	2,842,097
Capital projects funds	23,754,420	19,864,825	1,715,536	5,115,277	3,657,446
Nonspendable					
Notes and loans				-	-
Advances to other funds				-	-
Restricted					
Public safety				-	-
Parks and recreation				-	-
Public works				-	-
Capital projects				-	-
Debt service				-	-
Committed					
Capital projects				-	-
Unassigned				-	-
Total all other governmental funds	\$ 30,641,926	\$ 28,630,408	\$ 31,127,511	\$ 18,298,339	\$ 13,420,121
Total all governmental funds	\$ 48,611,844	\$ 49,297,942	\$ 48,567,761	\$ 39,877,392	\$ 34,399,134



Source: City of Manhattan Beach Finance department historical CAFRs

Fiscal Year Ending					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
\$ 1,355,530	\$ 1,244,971	\$ 1,143,587			
495,646	373,980	213,938			
16,585,982	16,710,818	16,888,308			
-	-	-	19,519	48,989	
-	-	-	432,000	432,000	
-	-	-	1,182,271	1,245,112	
-	-	-	18,270,832	18,134,492	
\$ 18,437,158	\$ 18,329,769	\$ 18,245,833	\$ 19,904,622	\$ 19,860,593	
\$4,642,305	\$4,618,592	\$6,755,397			
817,076	817,178	817,075			
40,925	71,887	393,852			
2,748,609	2,340,055	2,692,575			
3,878,706	3,934,840	1,925,704			
-	-	-	42,744	38,336	
-	-	-	1,073,000	771,100	
-	-	-	1,247,014	1,187,562	
-	-	-	80,284	107,428	
-	-	-	3,324,947	4,558,434	
-	-	-	2,827,688	3,269,531	
-	-	-	817,075	817,075	
-	-	-	4,089,866	4,823,535	
-	-	-	(22,488)	(22,488)	
\$ 12,127,621	\$ 11,782,552	\$ 12,584,603	\$ 13,480,130	\$ 15,550,513	
\$ 30,564,779	\$ 30,112,321	\$ 30,830,436	\$ 33,384,752	\$ 35,411,106	



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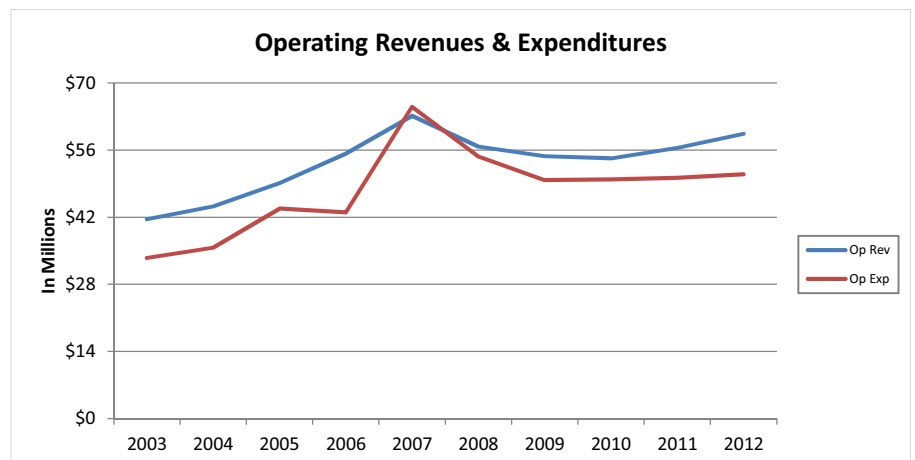
Statistical Section

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.

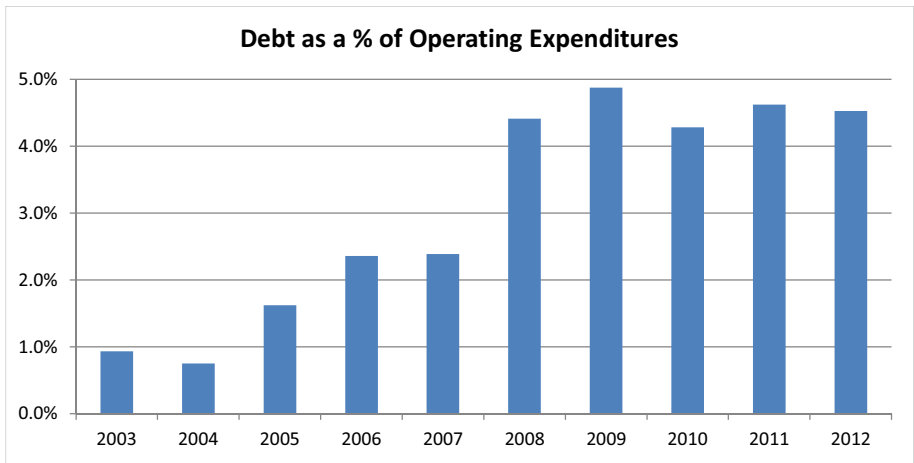
City of Manhattan Beach
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending				
	2003	2004	2005	2006	2007
Revenues					
Tax and assessments	\$ 24,038,547	\$ 27,381,711	\$ 26,907,138	\$ 33,026,089	\$ 35,261,246
Licenses, fees, and permits	1,563,171	1,643,682	1,560,346	1,810,681	1,686,922
Fines and forfeitures	2,041,805	2,294,535	1,910,757	1,895,506	2,153,078
Charges for services	6,160,531	6,454,314	7,218,915	7,400,197	7,812,110
Contributions from property owner		-	3,372,891	3,147,739	8,498,306
Intergovernmental	4,144,954	3,639,236	4,623,276	2,994,138	3,007,764
Interest and Rents	3,389,920	3,094,363	2,863,553	3,354,041	3,845,001
Net change fair value investments	(287,140)	(671,517)	(30,777)	(192,026)	353,642
Other revenues	494,406	436,260	705,588	1,863,937	553,241
Total revenues	41,546,194	44,272,584	49,131,687	55,300,302	63,171,310
Expenditures					
General government	6,476,427	6,636,125	7,120,760	7,452,850	8,646,822
Public Safety	18,109,464	19,719,804	22,735,205	24,020,705	33,302,747
Culture and recreation	3,798,920	3,989,250	4,592,628	4,680,871	5,328,693
Public works	5,107,008	5,297,262	9,303,463	6,819,825	17,737,634
Total operating expenditures	33,491,819	35,642,441	43,752,056	42,974,251	65,015,896
Excess of revenue over expenditures	8,054,375	8,630,143	5,379,631	12,326,051	(1,844,586)
Capital outlay	4,749,294	7,751,990	18,382,798	19,965,439	7,764,994
Debt service					
Interest	112,622	87,055	524,158	822,862	1,035,878
Principal	200,000	180,000	185,000	190,000	515,000
Total Non Operating expenditures	5,061,916	8,019,045	19,091,956	20,978,301	9,315,872
Excess of revenues over expenditures	2,992,459	611,098	(13,712,325)	(8,652,250)	(11,160,458)
Other financing sources (Uses)					
Bonds issued	-	-	12,980,000	-	6,634,179
Premium on bonds issues	-	-	186,055	-	163,120
Refunding Lease	-	-	-	-	-
Capital Contribution	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	6,171,338	18,919,651	11,647,938	841,116	4,179,102
Transfers out	(4,498,230)	(18,844,651)	(12,554,938)	(1,045,116)	(5,497,006)
Total other financing sources (uses)	1,673,108	75,000	12,259,055	(204,000)	5,479,395
Prior Period Adjustment	-	-	-	165,882	202,807
Net change in fund balances	4,665,567	686,098	(1,453,270)	(8,690,368)	(5,478,256)
Debt - % of Operating Expenditures	0.9%	0.7%	1.6%	2.4%	2.4%



Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year Ending					
2008	2009	2010	2011	2012	
\$ 36,933,447	\$ 36,839,471	\$ 36,582,239	\$ 37,697,637	\$ 39,389,241	
1,463,207	1,200,529	1,200,347	1,289,183	1,418,230	
2,169,402	2,400,483	2,984,868	2,867,072	2,805,559	
8,013,155	8,202,164	8,291,275	9,396,606	9,706,289	
-	-	-	-	-	
2,147,817	2,072,660	2,638,044	1,749,382	2,566,478	
3,939,191	3,607,997	2,344,105	2,723,666	2,692,576	
350,394	(201,163)	58,253	21,680	21,265	
1,707,735	634,524	192,965	707,752	835,945	
56,724,348	54,756,665	54,292,096	56,452,978	59,435,583	
9,808,544	9,215,265	9,785,663	8,660,865	8,560,273	
31,354,970	28,727,983	28,461,175	29,176,141	30,449,560	
6,027,462	5,599,052	5,699,228	6,192,471	5,552,632	
7,500,615	6,207,990	5,923,828	6,149,939	6,369,092	
54,691,591	49,750,290	49,869,894	50,179,416	50,931,557	
2,032,757	5,006,375	4,422,202	6,273,562	8,504,026	
3,405,258	3,124,353	1,705,513	1,510,341	4,272,496	
1,178,066	1,192,716	811,711	896,096	820,494	
1,235,000	1,235,000	1,325,000	1,425,000	1,485,000	
5,818,324	5,552,069	3,842,224	3,831,437	6,577,990	
(3,785,567)	(545,694)	579,978	2,442,125	1,926,036	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	3,006	3,384	5,829	434	
215,047	331,183	424,211	830,712	3,353,075	
(263,835)	(220,953)	(289,458)	(724,350)	(3,253,191)	
(48,788)	113,236	138,137	112,191	100,318	
-	(20,000)	-	-	-	
(3,834,355)	(452,458)	718,115	2,554,316	2,026,354	
4.4%	4.9%	4.3%	4.6%	4.5%	



Source: City of Manhattan Beach Finance Department Historical CAFRs



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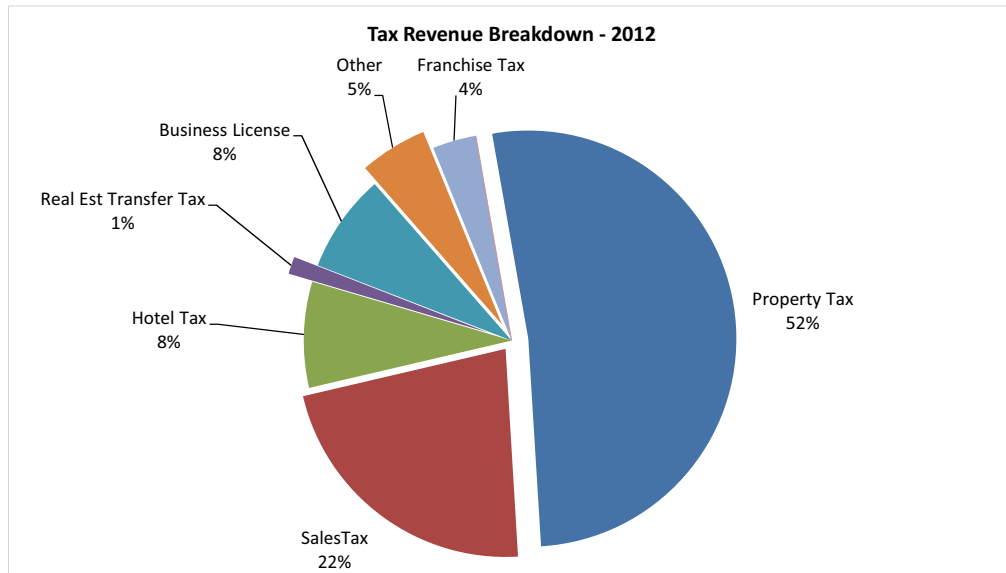
City of Manhattan Beach
Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit A-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales & Use</u>	<u>Hotel</u>	<u>Franchise</u>	<u>Real Est Transfer</u>	<u>Business License</u>	<u>Admissions</u>	<u>Other Taxes Assessments</u>	<u>Total</u>
2012	\$ 20,408,314	\$ 8,788,599	\$ 3,240,364	\$ 1,335,815	\$ 521,274	\$ 3,018,177	\$ -	\$ 2,076,698	39,389,241
2011	19,791,425	8,148,688	3,229,823	1,289,443	473,280	2,844,066	-	1,920,912	37,697,637
2010	20,006,558	7,301,378	3,174,319	1,220,171	356,367	2,783,641	-	1,739,805	36,582,239
2009	19,930,492	7,480,516	3,507,774	1,185,406	325,001	2,767,070	-	1,643,212	36,839,471
2008	18,567,451	8,230,387	3,995,411	1,168,383	450,299	2,747,098	-	1,774,418	36,933,447
2007	17,116,975	8,416,844	3,665,741	1,200,503	788,347	2,464,239	-	1,608,597	35,261,246
2006	15,523,154	8,557,986	3,186,359	1,149,740	668,242	2,468,067	-	1,472,541	33,026,089
2005	11,652,108	7,581,885	2,449,326	903,490	688,616	2,285,524	-	1,346,189	26,907,138
2004	11,090,838	7,550,378	2,183,163	929,251	721,502	2,134,588	140	2,771,851	27,381,711
2003	10,021,646	7,202,620	2,040,428	904,080	546,129	2,017,534	85,827	1,220,283	24,038,547

Change

2012-2003	103.6%	22.0%	58.8%	47.8%	-4.6%	49.6%	-100.0%	70.2%	63.9%
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**City of Manhattan Beach
 Assessed Value and Estimated Actual Value of Taxable Property,
 Last Ten Fiscal Years**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Total Assessed Value
2003	5,735,660,126	553,793,248	245,153,830	714,170,193	7,248,777,397
2004	6,300,479,116	585,254,193	247,401,995	744,055,059	7,877,190,363
2005	6,895,415,748	369,922,480	260,299,961	1,017,547,074	8,543,185,263
2006	7,674,008,480	714,543,660	265,885,057	753,424,800	9,407,861,997
2007	8,572,299,055	745,453,370	219,928,225	711,825,301	10,249,505,951
2008	9,427,136,444	796,972,539	224,326,781	737,961,261	11,186,397,025
2009	10,136,131,042	847,686,744	280,998,547	758,566,064	12,023,382,397
2010	10,279,360,710	870,969,553	286,618,511	760,569,467	12,197,518,241
2011	10,310,125,299	857,387,446	272,285,842	798,171,374	12,237,969,961
2012	10,639,403,753	900,787,632	355,749,068	624,994,067	12,520,934,520

Exhibit A-8

Tax-Exempt Property	Total Direct Tax Rate	Net Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
306,111,231	0.16597%	6,923,341,436	104.701%
305,420,714	0.16632%	7,554,435,006	104.272%
305,194,535	0.14283%	8,216,800,523	103.972%
305,194,535	0.15692%	9,080,889,082	103.601%
301,140,884	0.15697%	9,925,464,834	103.265%
301,140,740	0.15793%	10,861,350,753	102.993%
301,140,740	0.15857%	11,697,899,600	102.782%
301,140,740	0.15842%	11,871,677,111	102.745%
301,140,740	0.15619%	11,913,602,319	102.723%
301,140,740	0.15928%	12,190,853,653	102.708%

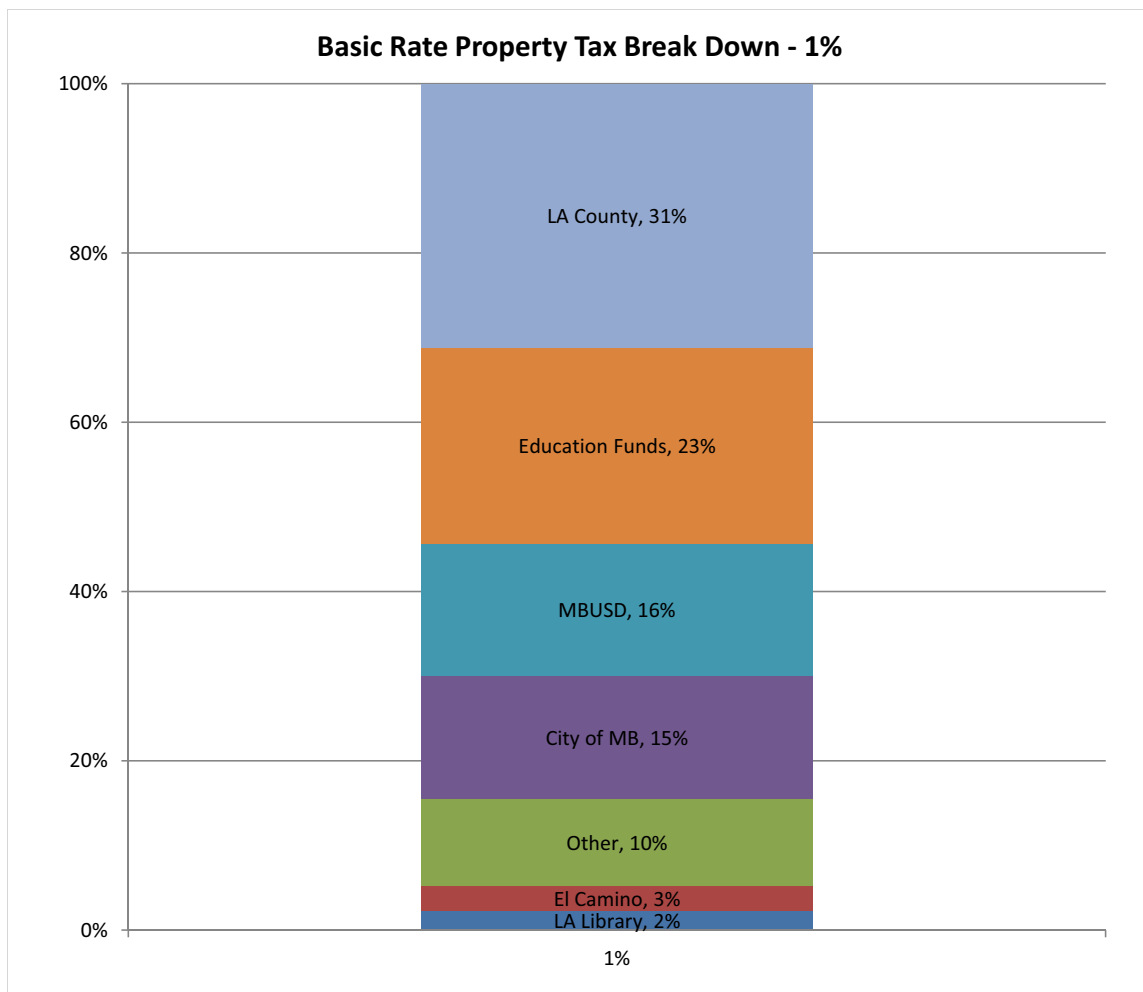


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**City of Manhattan Beach
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years**

Exhibit A-9

Fiscal Year	City Direct Rates		Overlapping Rates						
	General Levy (Basic Rate)	Total Direct Rate	LA County	Colleges & School Districts	Metro Water District	Flood Control District	Total Overlap Rate	General Levy	Total Rate
2003	1.00000%	0.16597%	0.00103	0.04328	0.00670	0.00088	0.05189	1.00000	1.05189
2004	1.00000%	0.16632%	0.00099	0.05938	0.00610	0.00047	0.06694	1.00000	1.06694
2005	1.00000%	0.16664%	0.00092	0.05610	0.00580	0.00024	0.06306	1.00000	1.06306
2006	1.00000%	0.16706%	0.00080	0.05639	0.00520	0.00005	0.06244	1.00000	1.06244
2007	1.00000%	0.16733%	0.00066	0.07425	0.00470	0.00005	0.07966	1.00000	1.07966
2008	1.00000%	0.16758%	0.00000	0.05350	0.00450	0.00000	0.05800	1.00000	1.05800
2009	1.00000%	0.15857%	0.00000	0.11758	0.00430	0.00000	0.12188	1.00000	1.12188
2010	1.00000%	0.15842%	0.00000	0.11146	0.00430	0.00000	0.11576	1.00000	1.11576
2011	1.00000%	0.15619%	0.00000	0.14514	0.00370	0.00000	0.14884	1.00000	1.14884
2012	1.00000%	0.15928%	0.00000	0.11600	0.00370	0.00000	0.11970	1.00000	1.11970



Source: HDL Coren Cone

**City of Manhattan Beach
Principal Property Tax Payers Based on Net Values,
Current Year and Ten Years Ago**

<u>Taxpayer</u>	2012	
	<u>Net Value</u>	<u>Percentage of Total City Net Value</u>
Northrop Grumman Systems Corp	\$ 158,479,151	1.30%
Reef America Reit II Corporation BBB	157,568,692	1.29%
CRP MB Studios LLC	138,000,000	1.13%
1230 and 1240 Rosecrans Ave H	99,739,509	0.82%
Parstem Realty Company Inc.	65,544,538	0.54%
Host Marriott Corporation Interstate	61,796,185	0.51%
RIMB LLC	45,700,000	0.37%
Sketchers USA Inc.	35,629,488	0.29%
St. Paul Properties Inc.	29,988,124	0.25%
Continental 1500 Rosecrans LLC	25,366,859	0.21%
Top Ten Total	\$ 817,812,546	6.7%
City Total	<u>\$ 12,190,853,653</u>	

Exhibit A-10

<u>Taxpayer</u>	2003	
	Net Value	Percentage of Total City Net Value
TRW Inc.	\$ 243,487,897	3.52%
Shamrock MBS LLC	132,517,095	1.91%
Madison Manhattan Village LP	91,959,028	1.33%
Wells Operating Partnership II	61,398,608	0.89%
Pastem Realty Company Inc.	56,592,943	0.82%
Host Marriott Corporation	28,846,000	0.42%
Sanko Nakayama International Inc.	28,191,034	0.41%
St. Paul Properties Inc.	26,006,837	0.38%
Hughes Aircraft Employees	22,523,656	0.33%
Continental 1500 Rosecrans LLC	21,497,112	0.31%
	\$ 713,020,210	10.3%
	<u>\$ 6,923,341,436</u>	

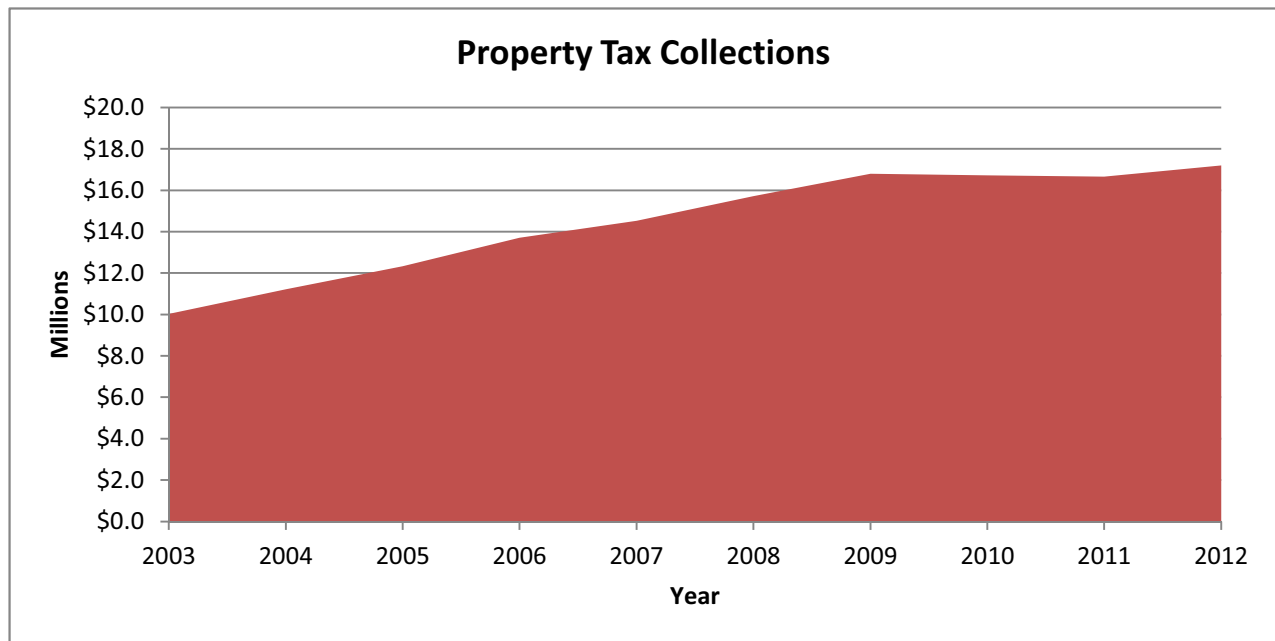


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**City of Manhattan Beach
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit A-11

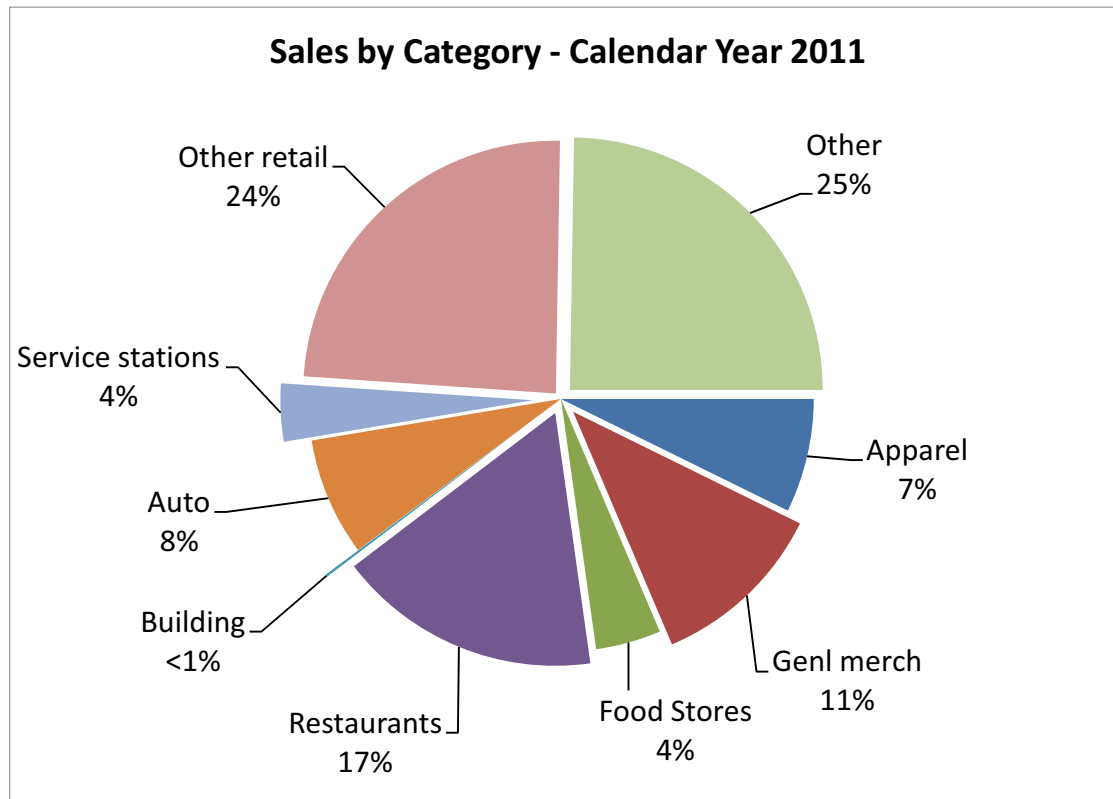
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	9,795,290	9,503,645	97.02%	447,891	10,021,646	102.31%
2004	10,713,583	10,335,067	96.47%	750,974	11,223,986	104.76%
2005	11,677,784	11,336,153	97.07%	923,375	12,326,299	105.55%
2006	12,944,802	12,527,975	96.78%	1,176,979	13,704,954	105.87%
2007	14,197,925	13,311,119	93.75%	1,219,824	14,530,943	102.35%
2008	15,564,989	14,643,132	94.08%	1,065,305	15,708,437	100.92%
2009	16,795,932	15,888,783	94.60%	902,280	16,791,063	99.97%
2010	17,041,081	16,054,348	94.21%	661,930	16,716,278	98.09%
2011	16,836,854	16,056,305	95.36%	604,649	16,660,953	98.96%
2012	17,529,077	16,865,345	96.21%	334,117	17,199,461	98.12%



Source: Los Angeles County Assessor and City of Manhattan Beach Finance Department

City of Manhattan Beach
Taxable Sales by Category,
Last Ten Calendar Years
(in thousands of dollars)

	Calendar Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Apparel stores	\$ 44,195	\$ 57,599	\$ 66,639	\$ 69,751	\$ 73,438
General merchandise	101,509	105,563	108,221	109,957	114,830
Food stores	31,532	31,539	33,266	33,774	36,585
Eating and drinking establishments	104,491	112,881	119,406	127,778	135,058
Building materials and farm tools	2,789	2,849	3,116	3,129	3,229
Auto dealers and supplies	79,626	55,529	75,259	80,594	76,340
Service stations	20,935	24,860	29,620	34,473	34,313
Other retail stores	196,923	200,167	201,919	209,804	220,166
All other outlets	<u>125,458</u>	<u>115,406</u>	<u>126,442</u>	<u>133,957</u>	<u>123,496</u>
Total	<u>\$ 707,458</u>	<u>\$ 706,393</u>	<u>\$ 763,888</u>	<u>\$ 803,217</u>	<u>\$ 817,455</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%



Source: State Board of Equalization HDL Coren Cone

Exhibit A-12

Calendar Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 72,655	\$ 67,204	\$ 60,202	\$ 64,990	\$ 66,443
118,872	113,037	104,604	101,306	103,499
36,223	37,327	37,740	37,376	38,147
137,878	142,672	139,153	144,125	154,024
2,994	2,592	1,975	1,454	1,509
78,480	73,144	63,329	57,975	69,094
33,413	37,020	25,835	28,397	33,948
222,585	215,221	199,343	219,529	220,920
<u>124,616</u>	<u>120,422</u>	<u>102,018</u>	<u>172,701</u>	<u>225,950</u>
<u>\$ 827,716</u>	<u>\$ 808,639</u>	<u>\$ 734,199</u>	<u>\$ 827,853</u>	<u>\$ 913,534</u>
1.00%	1.00%	1.00%	1.00%	1.00%

Source: State Board of Equalization HDL Coren Cone

**City of Manhattan Beach
Direct and Overlapping Sales Tax Rates,
Last Ten Fiscal Years**

Exhibit A-13

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>L.A. County</u>
2012	1.00%	.25%
2011	1.00%	.25%
2010	1.00%	.25%
2009	1.00%	.25%
2008	1.00%	.25%
2007	1.00%	.25%
2006	1.00%	.25%
2005	1.00%	.25%
2004	1.00%	.25%
2003	1.00%	.25%

Source: State of California Board of Equalization

**City of Manhattan Beach
Principal Sales Tax Remitters,
Fiscal Year Comparison**

Exhibit A-14

Tax Remitter

2012

Apple Computer
Arco
Barnes & Noble
Beverages & More
California Pizza Kitchen
Chevron
CVS Pharmacy
Dewitt Petroleum
Frys Electronics
Houstons
Macys
Manhattan Beach Toyota Scion
Mobil Oil
Office Depot
Old Navy
Olive Garden
Pottery Barn
Power Pre Owned Auto Center
Ralphs
REI
Sephora
Target
Tin Roof Bistro
Toyota Motor Credit Corp
Trader Joes

2003

Barnes & Noble
Bristol Farms
California Pizza Kitchen
Champion Chevrolet
Frys Electronics
Gateway Country
Houstons
Kettle
Kwik Gas
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
Mobil Oil
Office Depot
Old Navy
Olive Garden
Ralphs
REI
Sav On
Sketchers
Target
Toyota Motor Credit Corporation
Trader Joes
TRW Space & Electronics
Vons

* Listed Alphabetically



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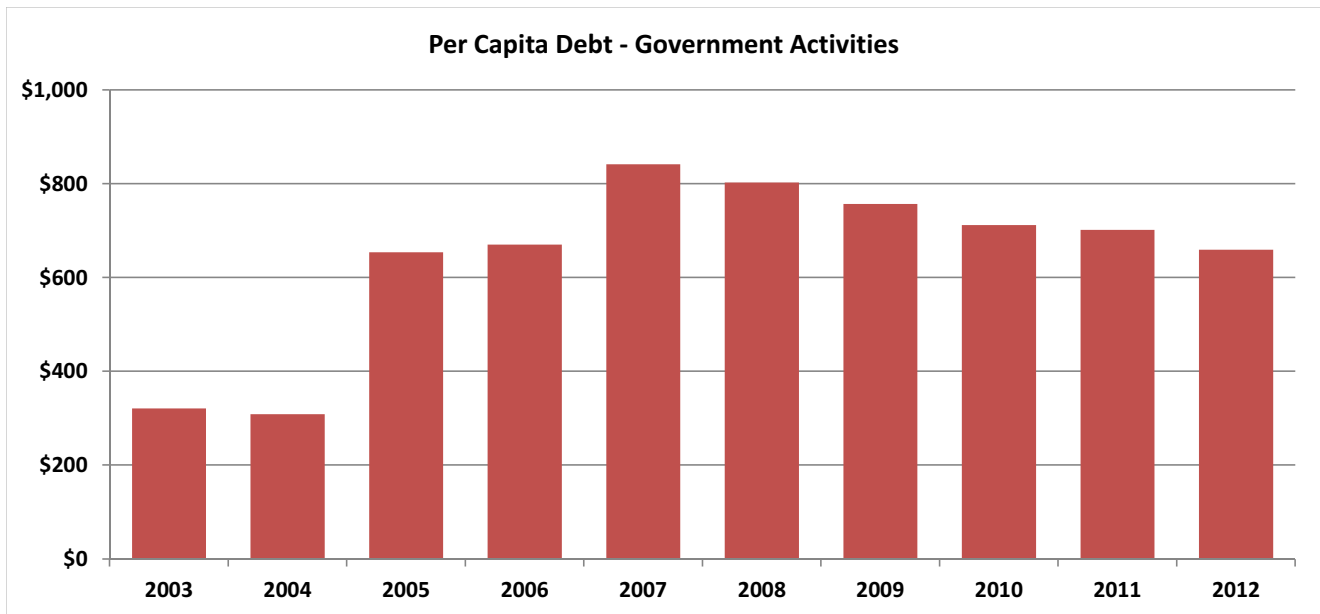
Statistical Section

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

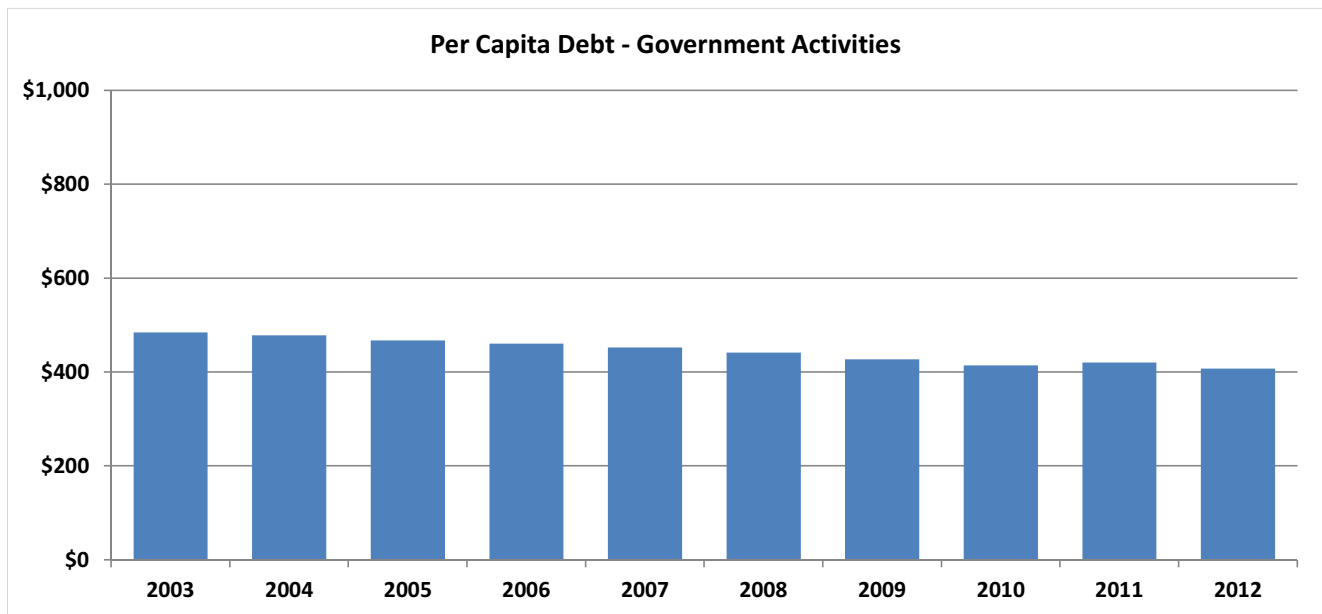
**City of Manhattan Beach
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities						Total Per Capita
	RCC Facility	Pension Obligation Bonds	Marine Certificates of Participation	Police/Fire Certificates of Participation	Capital Leases	Total Governmental	
1997		\$0	\$0	\$0	\$ 382,120	\$ -	\$ -
1998	-	-	-	-	764,076	764,076	22
1999	-	-	-	-	511,724	511,724	15
2000	-	-	-	-	6,944,596	6,944,596	192
2001	2,180,000	-	-	-	9,206,452	11,386,452	336
2002	2,180,000	-	9,535,000	-	279,584	11,994,584	339
2003	2,115,000	-	9,335,000	-	178,061	11,628,061	321
2004	2,045,000	-	9,155,000	-	62,495	11,262,495	309
2005	1,975,000	-	8,970,000	12,980,000	-	23,925,000	654
2006	1,905,000	-	8,780,000	12,980,000	720,693	24,385,693	671
2007	1,830,000	6,800,000	8,580,000	12,740,000	558,370	30,508,370	842
2008	1,750,000	6,095,000	8,375,000	12,495,000	390,008	29,105,008	803
2009	1,670,000	5,400,000	8,165,000	12,245,000	215,949	27,695,949	757
2010	1,585,000	4,635,000	7,945,000	11,990,000	35,807	26,190,807	712
2011	1,495,000	3,795,000	7,715,000	11,725,000	-	24,730,000	702
2012	1,445,000	2,870,000	7,480,000	11,450,000	-	23,245,000	660



Source: City of Manhattan Beach Finance Department Historical CAFRs Debt Schedules

Business-type Activities				Total		
Utility Revenue Bonds	Metlox		Total Per Capita	Total Primary Government	Percentage of Personal Income	Total Per Capita
	Certificates of Participation	Total Business Type				
\$4,615,000	\$0	\$ 4,615,000	\$ 134	\$ 4,615,000	NA	\$ 134
4,550,000	-	4,550,000	130	5,314,076	0.00%	152
4,485,000	-	4,485,000	129	4,996,724	0.00%	143
4,415,000	-	4,415,000	122 *	11,359,596	0.55%	314
4,345,000	-	4,345,000	128 *	15,731,452	0.72%	465
4,270,000	-	4,270,000	121	16,264,584	0.74%	459
4,190,000	13,350,000	17,540,000	485	29,168,061	1.30%	806
4,105,000	13,350,000	17,455,000	479	28,717,495	1.22%	788
4,015,000	13,095,000	17,110,000	468	41,035,000	1.68%	1,122
3,920,000	12,835,000	16,755,000	461	41,140,693	1.63%	1,131
3,820,000	12,570,000	16,390,000	452	46,898,370	1.81%	1,294
3,715,000	12,300,000	16,015,000	442	45,120,008	1.67%	1,244
3,605,000	12,020,000	15,625,000	427	43,320,949	1.63%	1,184
3,490,000	11,735,000	15,225,000	414	41,415,807	1.56%	1,126
3,370,000	11,435,000	14,805,000	420	39,535,000	1.49%	1,122
3,240,000	11,125,000	14,365,000	408	37,610,000	1.41%	1,067



Source: City of Manhattan Beach Finance Department Historical CAFRs Debt Schedules



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City of Manhattan Beach
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

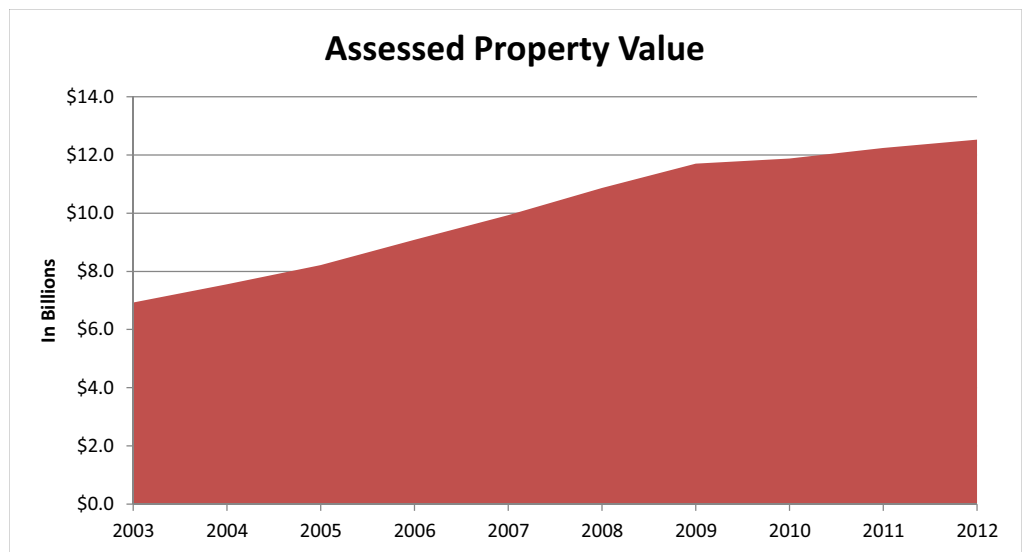
Exhibit A-16

<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
Debt repaid with property taxes			
Manhattan Beach UNIF 96 SER A DS	\$7,822,907	100.000%	\$7,822,907
Manhattan Beach UNIF DS 1998 SER B	5,643,802	100.000%	5,643,802
Manhattan Beach USD DS 1999 SER C	3,261,081	100.000%	3,261,081
Manhattan Beach USD DS 2001 SER D	4,129,173	100.000%	4,129,173
Manhattan Beach USD DS 2010 SER A	9,738,877	100.000%	9,738,877
Manhattan Beach USD DS 1995 SER E	4,628,829	100.000%	4,628,829
Manhattan Beach USD DS 2000 SER B	7,061,026	100.000%	7,061,026
Manhattan Beach USD DS 2004 REF BDS	14,360,000	100.000%	14,360,000
Manhattan Beach USD DS 2008 2009 SER A	7,651,589	100.000%	7,651,589
Manhattan Beach USD 2008,2011 Ser C & 2012	27,460,000	100.000%	27,460,000
Total Direct Debt			<u>\$91,757,284</u>
Overlapping Debt			
Metropolitan Water District	94,031,705	1.412%	\$1,327,896
El Camino CCS DS 2002 S-2003A	3,495,000	15.198%	531,179
El Camino CCS DS 2005 REF BONDS	28,128,953	15.198%	4,275,106
El Camino CCS DS 2002 SER 2006B	135,100,000	15.198%	20,532,826
Total Overlapping Debt			<u>\$26,667,007</u>
Total Direct and Overlapping Debt			<u>\$ 118,424,291</u>

In this particular instance of overlapping debt, overlapping governments are those whose boundaries whole or in part contained within the boundaries of a District that is issuing debt. The percent of overlap is based on the ratio assessed value of the land of the government to that of total assessed valuation of all governments within that district.

**City of Manhattan Beach
Legal Debt Margin Information,
Last Ten Fiscal Years**

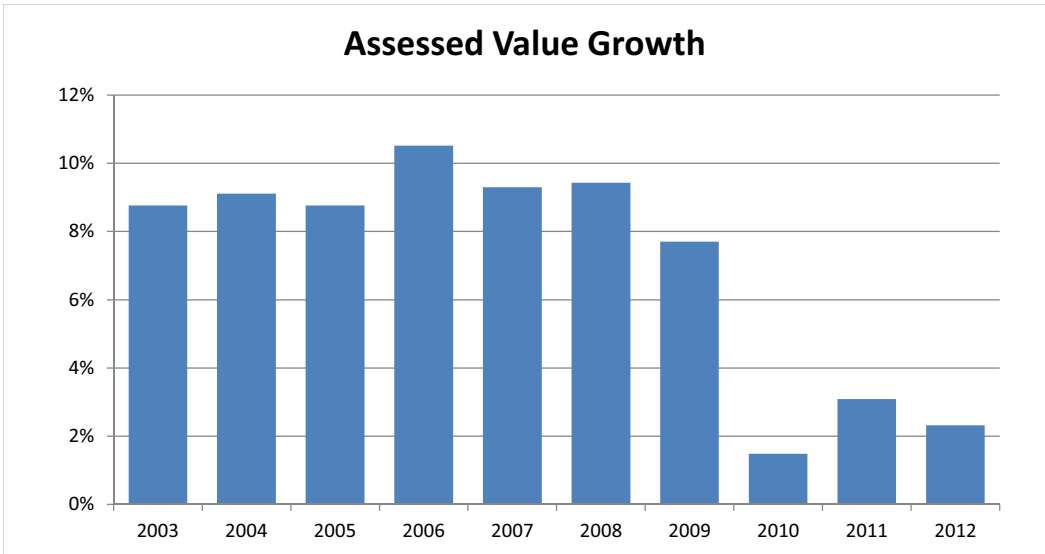
	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Assessed Value	\$ 6,923,341,436	\$ 7,554,435,006	\$ 8,216,800,523	\$ 9,080,889,082	\$ 9,925,464,834
Legal debt limit (3.75%)	259,625,304	283,291,313	308,130,020	\$ 340,533,341	\$ 372,204,931
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 259,625,304</u>	<u>\$ 283,291,313</u>	<u>\$ 308,130,020</u>	<u>\$ 340,533,341</u>	<u>\$ 372,204,931</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
Assessed Value Growth	8.77%	9.12%	8.77%	10.52%	9.30%



Fiscal Year				
2008	2009	2010	2011	2012
\$ 10,861,350,753	\$ 11,697,899,600	\$ 11,871,677,111	\$ 12,237,969,961	\$ 12,520,934,520
\$ 407,300,653	\$ 438,671,235	\$ 445,187,892	\$ 458,923,874	\$ 469,535,045
-	-	-	-	-
\$ 407,300,653	\$ 438,671,235	\$ 445,187,892	\$ 458,923,874	\$ 469,535,045

0.00%	0.00%	0.00%	0.00%	0.00%
-------	-------	-------	-------	-------

9.43%	7.70%	1.49%	3.09%	2.31%
-------	-------	-------	-------	-------



Source: City of Manhattan Beach Finance Department Historical CAFRs

**City of Statistical
Pledged-Revenue Coverage,
Last Ten Fiscal Years**

Water - Wastewater Revenue Bonds

Fiscal Year	Utility Service Charges	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
2003	8,008,037	6,441,702	1,566,335	80,000	239,713	4.90
2004	7,856,711	6,454,773	1,401,938	85,000	235,340	4.38
2005	8,102,158	6,957,411	1,144,747	90,000	229,112	3.59
2006	8,287,096	6,993,409	1,293,687	95,000	224,121	4.05
2007	8,560,647	7,864,351	696,296	100,000	218,804	2.18
2008	8,136,116	8,053,961	82,155	105,000	213,205	0.26
2009	8,697,768	9,060,376	(362,608)	110,000	218,235	(1.10)
2010	9,668,966	9,129,202	539,764	115,000	212,345	1.65
2011	12,149,167	9,230,873	2,918,294	120,000	205,769	8.96
2012	15,572,398	9,431,747	6,140,651	130,000	201,090	18.55

(a) Operating Expense less depreciation expense

(b) Interest expense includes discount amortization, trustee fees and other debt management expenses

Parking Certificates of Participation

Parking Fund Revenue	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
			Principal	Interest	
876,570	396,214	480,356	-	240,809	1.99
922,325	325,197	597,128	-	597,671	1.00
964,598	357,360	607,238	255,000	595,321	0.71
1,149,312	511,760	637,552	260,000	590,171	0.75
1,411,406	693,207	718,199	265,000	584,590	0.85
1,355,513	644,225	711,288	270,000	577,896	0.84
1,735,739	664,415	1,071,324	280,000	585,311	1.24
1,591,919	789,917	802,002	285,000	575,046	0.93
2,094,783	765,202	1,329,581	300,000	564,432	1.54
2,302,557	988,324	1,314,233	310,000	552,580	1.52

Source: City of Manhattan Beach Finance Department and Historical CAFRs



Statistical Section

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

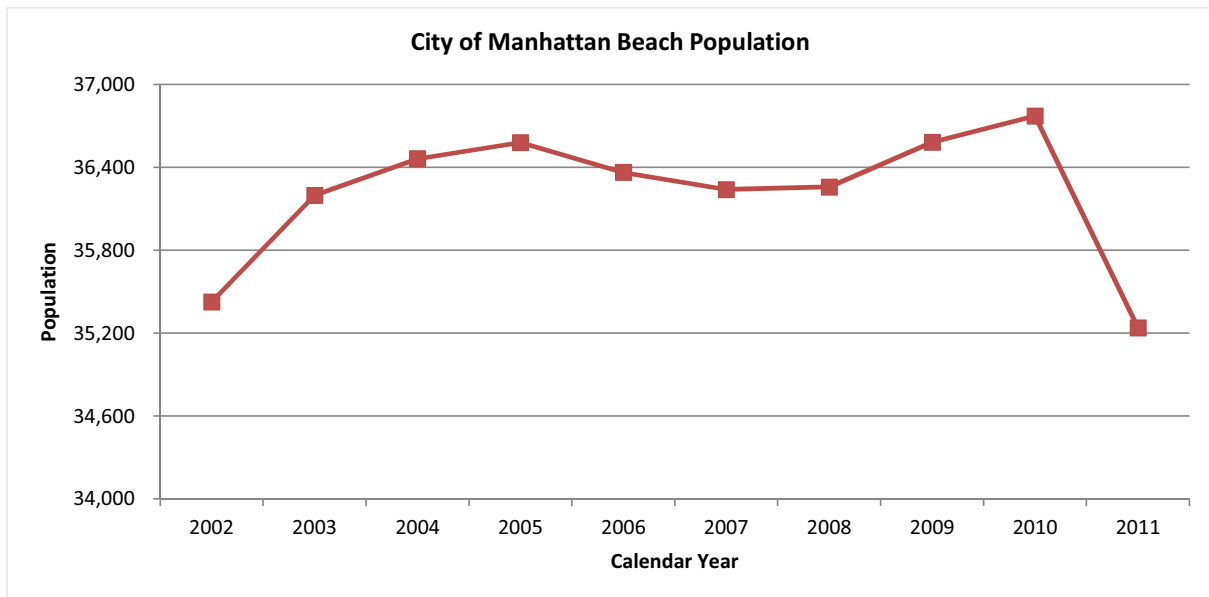
**City of Manhattan Beach
Demographic and Economic Statistics,
Last Ten Calendar Years**

Exhibit A-19

Calendar Year	Population (a)	Man Beach Personal Income (in thousands)	Personal Income L.A. County* (in thousands)	Per Capita Personal Income L.A. County	Per Capita Personal Income Man Beach	Unempl Rate	School Enrollment
2002	35,427	2,205,073	301,003,000	30,636	62,243	2.3%	6,450
2003	36,198	2,294,710	310,044,000	31,070	63,393	2.4%	6,434
2004	36,464	2,398,962	329,048,000	32,569	65,790	2.2%	6,354
2005	36,581	2,491,204	349,868,000	34,214	68,101	1.8%	6,260
2006	36,364	2,601,304	370,860,000	36,196	71,535	1.6%	6,266
2007	36,240	2,675,144	379,824,000	36,762	73,817	1.7%	6,307
2008	36,258	2,695,604	411,000,000	39,657	74,345	2.6%	6,282
2009	36,583	2,659,307	392,000,000	37,718	72,692	4.1%	6,560
2010	36,773	2,830,050	405,000,000	38,789	76,960	4.5%	6,602
2011	35,239	2,802,945	427,000,000 ^F	40,447 ^F	79,541	4.4%	6,651

(a) Source: HdL Companies.

* Represents fiscal year ended June 30th. Source: County of Los Angeles Comprehensive Annual Financial Report for FY 2011.



Source: HdL Coren Cone, US Census Bureau; Manhattan Beach School District; Calif Labor Market; Bureau of Econ Analysis; Los Angeles County Economic Development Corp; Department of Transportation

**City of Manhattan Beach
Principal Employers
Current Year**

Exhibit A-20

<u>Employer</u>	<u>2012</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Northrop Grumman	1920	27.43%
Kinecta Federal Credit Union	550	7.86%
Target Corporation	405	5.79%
Skechers USA Inc.	356	5.09%
City of Manhattan Beach	272	3.89%
Macy's West LLC	271	3.87%
Fry's Electronics Inc.	264	3.77%
Marriott- HMC Interstate	233	3.33%
Ralphs Grocery Co.	167	2.39%
Skechers USA Inc.	148	2.11%
Bristol Farms	129	1.84%
Olive Garden	117	1.67%
Houston's Restaurants Inc.	115	1.64%
24 Hour Fitness	108	1.54%
California Pizza Kitchen	106	1.51%
Tecolote Research	100	1.43%
Il Fornaio	99	1.41%
MB Country Club	90	1.29%
Chili's Grill & Bar	85	1.21%
Manhattan Beach Toyota	82	1.17%
Islands Restaurant	75	1.07%
Recreational Equipment Inc.	75	1.07%
Belamar Hotel	71	1.01%
Old Navy #6043	71	1.01%
Shade Hotel	70	1.00%
Total	<u>5,979</u>	<u>85.41%</u>

Data from 2002 not available. Earliest data available is from 2006.

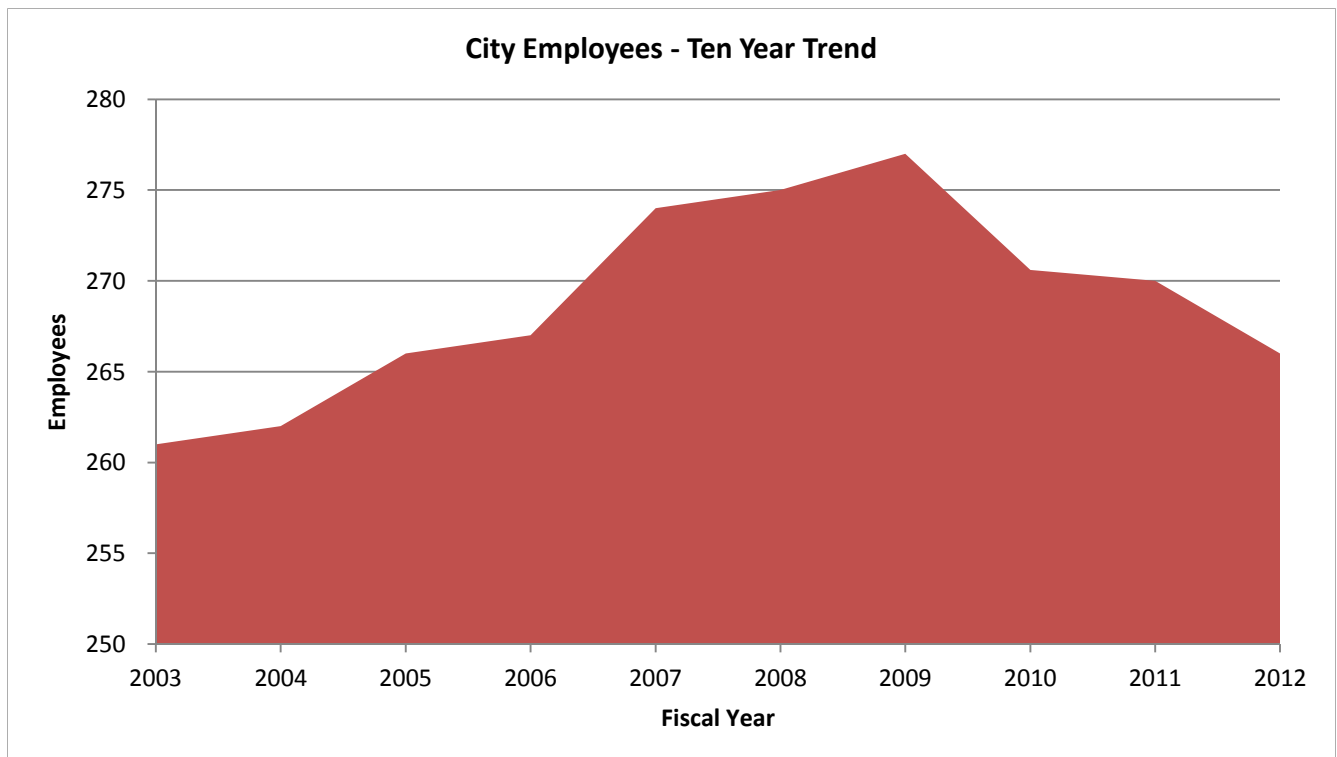


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City of Manhattan Beach
Full-time Authorized City Employees by Function/Program,
Last Ten Fiscal Years

Exhibit A-21

<u>Function/Program</u>	<u>Full-time Authorized Employees as of June 30</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
Management services	13	13	13	13	13	14	14	14	14	13
Finance	20	20	20	20	21	21	21	20	20	20
Human Resources	7	7	7	7	7	7	7	7	7	6
Planning & Building	21	21	21	21	22	22	22	20	20	19
Parks and Recreation	15	16	16	16	19	19	19	20	20	20
Police										
Officers	64	64	64	64	65	65	65	63	64	62
Civilians	33	33	35	35	35	35	35	35	34	35
Fire										
Firefighters & officers	30	30	30	30	30	30	30	30	30	30
Civilians	1	1	1	1	1	1	1	1	1	1
Public works										
Engineering	6	6	7	7	7	7	9	8	8	8
Water	11	11	12	12	13	13	13	13.5	14.25	14.25
Wastewater	3	3	3	4	4	4	3	3.1	3.35	3.35
Other	37	37	37	37	37	37	38	36	34.4	34.4
Total	<u>261</u>	<u>262</u>	<u>266</u>	<u>267</u>	<u>274</u>	<u>275</u>	<u>277</u>	<u>271</u>	<u>270</u>	<u>266</u>



Source: City of Manhattan Beach Finance Department

CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE

June 30, 2012

<u>TYPE OF COVERAGE</u>	<u>POLICY NUMBER</u>	<u>FROM</u>
Liability		
Self-Insured	RXL-4628397-00	07/01/12
Excess Liability		
Independent Cities Risk Management		
ICRMA (Pool)	ICAPL 1014	07/01/12
Argonaut - Primary	RXL-4628397-00	7/1/2012
Taurus		07/01/12
Scor Re		07/01/12
Building & Property (All City excluding public safety building)		
Lexington-Primary		07/01/12
Other Carriers	Various	07/01/12
Building & Property Public Safety Building		
Various Carriers - Public Safety Bldg	Various	07/01/12
Insurance Company of the West	B2A31M0001407-02	07/01/12
Workers' Comp.		
Self-Insured	-	07/01/12
Excess Workers' Comp.		
ICRMA (Pool)	ICRMA2012-1WC	07/01/12
Safety National	SP4044260	07/01/12
Public Officials, Faithful Performance & Fidelity Bonds		
Hartford		
Employee Dishonesty (Crime), Replaces Public Officials		
	02-420-55-40	07/01/12

**CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE**

June 30, 2012

<u>TO</u>	<u>LIMITS OF COVERAGE</u>	<u>ANNUAL PREMIUM</u>
06/30/13	\$500,000 per occurrence	
06/30/13	\$4,500,000 excess of \$500,000	\$418,722
6/30/2013	\$5,000,000 excess of \$5,000,000	Included in above
6/30/2013	\$10,000,000 excess of \$10,000,000	Included in above
06/30/13	\$10,000,000 excess of \$20,000,000	Included in above
06/30/13	30,000,000	\$366,112.00
06/30/13	\$95M earthquake & flood shared proportionally	
06/30/13	30,000,000	\$70,426.00
06/30/13	\$29,678,845.00 1st Layer	
06/30/13	\$750,000 per occurrence	-
06/30/13	\$5M xs \$750,000	\$182,973
06/30/13	\$100,000,000	
06/30/13	\$1,000,000 each employee	1,687

**City of Manhattan Beach
Operating Indicators by Function/Program,
Last Ten Fiscal Years**

Exhibit A-23

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
Building permits issued	3,667	3,539	3,269	3,829	3,477	1,142	1,077	1,254	1,318	1,484
Building inspections conducted	19,167	18,338	16,564	18,170	18,021	14,634	11,401	9,544	9,676	10,298
Police										
Arrests	1,018	926	1,081	1,179	1,359	1,247	1,242	1,224	1,007	1,387
Parking citations	66,407	66,718	54,091	54,214	57,807	57,356	71,810	72,789	70,001	68,080
Traffic citations	6,126	6,417	5,340	5,774	6,461	6,726	6,674	9,513	8,591	9,605
Fire										
Emergency responses	2,610	2,693	2,719	2,469	2,831	2,958	3,158	3,036	3,100	3,254
Fires extinguished	97	114	98	75	103	126	124	94	98	94
Inspections	921	920	923	900	975	995	1,155	1,300	973	1,650
Refuse collection										
Refuse collected (tons per day)	85.4	84.1	73.7	77.8	63.0	58.7	58.09	62.33	60.27	47.78
Recyclables collected (tons per day)	22.1	28.5	34.6	28.6	61.0	52.2	39.22	42.44	44.07	45.18
Other public works										
Street resurfacing (miles)	1.3	1.0	2.3	0.4	1.2	1.2	0.7	4.2	0.5	11.8
Parks and recreation										
Athletic field permits issued	2,555	4,092	4,083	3,460	2,949	4,464	4,246	4,501	4,887	5,901
Community center admissions*	100,228	93,495	125,554	166,910	150,041	153,628	143,441	134,144	147,630	41,374
Water										
Water main breaks	5	5	7	5	10	2	-	-	4	3
Average daily consumption (thousands of gallons)	6,255	6,395	6,223	6,203	6,020	6,018	4,819	5,096	4,900	4,920
Peak daily consumption (thousands of gallons)	7,200	7,360	7,300	N/A	7,265	7,168	5,783	7,644	7,350	6,712
Transportation										
Total route miles	43,004	31,469	31,936	31,849	32,940	46,749	43,406	51,736	65,517	43,461
Passengers	10,789	9,742	9,654	9,142	9,785	11,911	12,842	14,945	18,831	18,899

* The Community Centers were closed and undergoing renovation from December 21, 2011 through June 30, 2012.

**City of Statistical
Capital Asset Statistics by Function/Program,
Last Ten Fiscal Years**

Exhibit A-24

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	23	23	23	23	23	23	23	23
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	110	110	110	110	110	110	110	110	110	108
Highways (miles)	10	10	10	10	10	10	10	10	10	10
Parks and recreation										
Acreage	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88
Baseball/softball diamonds	13	13	13	13	13	13	13	13	13	13
Soccer/football fields	15	15	15	15	15	15	15	15	15	15
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	-	-	-	106	106	106	106	106	106	106
Fire hydrants	-	-	-	667	669	670	671	775	774	774
Storage capacity (1000s Gallons)	-	-	-	9,830	9,830	9,830	9,830	9,830	9,800	9,800
Wastewater										
Sanitary sewers (miles)	-	-	-	84.0	84.0	84.0	84.0	84.0	81.6	82.0
Storm sewers (miles)	-	-	-	16.0	16.0	16.0	16.0	16.0	25.0	25.0
Treatment capacity (1000s Gallons)	-	-	-	-	-	-	-	-	-	-
Transportation—minibuses	3	4	4	4	4	4	4	4	4	4

Source: City of Manhattan Beach Departments

CITY OF MANHATTAN BEACH
DEMOGRAPHIC STATISTICAL DATA
As of December 31, 2010

Population distribution by ethnic group (one race):

	<u>Number of Persons</u>	<u>Percent</u>
White	29,686	84%
Asian	3,023	9%
Black or African American	290	1%
American Indian and Alaska Native	59	0%
Other	<u>2,077</u>	<u>6%</u>
	<u><u>35,135</u></u>	<u><u>100%</u></u>

Household Type:

	<u>Number of Persons</u>	<u>Percent</u>
Family:		
Married couple	7,583	54%
Female head	892	6%
Male head	438	3%
Nonfamily	<u>5,125</u>	<u>37%</u>
	<u><u>14,038</u></u>	<u><u>100%</u></u>

Population distribution by age group:

	<u>Number of Persons</u>	<u>Percent</u>
Under 5 years	2,031	6%
5-14	5,264	15%
15-24	3,170	9%
25-44	9,532	27%
45-59	8,508	24%
60-64	2,173	6%
65 and over	<u>4,457</u>	<u>13%</u>
	<u><u>35,135</u></u>	<u><u>100%</u></u>

Population distribution by gender:

	<u>Number of Persons</u>	<u>Percent</u>
Male	17,605	50%
Female	<u>17,530</u>	<u>50%</u>
	<u><u>35,135</u></u>	<u><u>100%</u></u>

Source: Latest data from the American Community Survey, US Census Bureau